

# CURRENT HISTORY

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## Groping for Recovery

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By WILLIAM A. ORTON

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MOST people have heard of that English peer, much given to sleeping, who dreamed after lunch one day that he was addressing the House of Lords, and woke up to find it was true. Something of the sort has happened to the people of the United States. Radical, even revolutionary, projects of economic reform that have been under discussion for years have materialized with a suddenness that is almost too rapid to realize; we are still rubbing our eyes and wondering whether all this really has happened in the short space of six months.

All this has sprung from the energy, the leadership and the courage of one man who, without overturning the social system, has accomplished as much as any dictator has ever done in a

similar space of time. That fact reflects tremendous credit on both the President and the people of the United States. It is an asset that outweighs all the shortcomings and the disappointments of the New Deal.

As the policy has expanded and its implications have become manifest, various strains have developed which it is the purpose of this article to discuss. There were, to begin with, many people in the country at large and a few in the administration who took it for granted that all the new measures would turn out to be what they ostensibly were—temporary expedients to relieve a temporary crisis—and that when the emergency passed (rapidly, it was hoped) the old system would once more go jogging along in very much the same old way. Those people have had to disabuse themselves, and the process is painful. We must expect to hear their cries of protest and misgiving in increasing volume.

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The emergency is not passing rapidly—the President never promised that it would—and every week makes it more and more evident that the recovery program is advancing to new positions from which a simple retreat to the starting point is absolutely out of the question—whatever the date or the extent of the recovery.

As difficulties increase, the thought of the administrators is getting bolder, not weaker. Let any one who doubts this read the article by A. A. Berle Jr. in *The New York Times* of Oct. 29. Further, it may be said that the closer acquaintance with industry brought about by code procedure, combined with the revelations of the Senatorial investigators in the world of high finance, have not encouraged either the President or his advisers to believe in a return of the "good old times." The old times were good for far too few of the people.

Within this group of what we may call disillusioned conservatives are the strict constitutionalists, who are disposed to challenge certain important features of the recovery program on juridical grounds; and from them, too, we may expect to hear more in the future. The constitutionality of some phases of the program is an important and perplexing problem, but it is a sad fact that when people begin to talk about their abstract rights, it is usually their private interests they are really worried about. It is not difficult to draw the line between disinterested discussion of the constitutional question, which must necessarily be technical, and an effort to damn the recovery program in the eyes of an unlearned public by branding it in advance as unconstitutional. Certain gentlemen from whom one might expect the former sort of effort are, whether knowingly or not, lending themselves to the latter.

It is necessary to remind these gentlemen that the Constitution is older than the doctrines of Chief Justice Marshall. They may also remember the dissenting opinion of the present Chief Justice in the Columbia minimum wage case, in which he declared that "it is not the function of this court to hold Congressional acts invalid simply because they are passed to carry out economic views which the court believes to be unwise or unsound." They may further recall the opinion of Justices Brandeis and Stone, in the Oklahoma Ice Company case of 1932, upholding the right of the States and the nation "to remold, through experimentation, our economic practices and institutions to meet changing social and economic needs."

It is also to be borne in mind that, apart from all emergency legislation, the Federal Trade Commission is empowered by statute "to prevent unfair methods of competition," and is left free, subject to court review, to formulate its own conception of fairness and unfairness in accordance with the ideas and circumstances of the time. The definition of unfairness is necessarily subject to change and development, as are the situations to which it applies, and it may turn out that inhumane conditions of labor, like other anti-social forms of cost-cutting, can reasonably be held to lie within the scope of the 1914 statute. It would be strange indeed if minimum prices to manufacturers, and minimum returns to railroad and public utility investors, were deemed eligible to constitutional protection, while minimum returns to labor were not.

But, apart from the disillusioned conservatives and the strict constitutionalists, the public at large is showing distinct signs of misgivings about the second of the President's bargains with industry. The first one—the re-



employment agreement, carrying with it the Blue Eagle, and expiring on Dec. 31, 1933—has worked out, in this writer's opinion, astonishingly well. Of course, there have been innumerable failures to live up to the terms of the contract, but when one considers that this was a voluntary act, carried out by practically the whole of business and industry at considerable cost and inconvenience, in response to a simple request from the White House, then it appears one of the most remarkable social phenomena of recent times. It is the second bargain—the bargain on the codes—that is arousing misgivings.

The elements of that bargain, though the details vary in every case, can be easily stated. The administration demands three things—the abolition of child labor, the establishment of minimum wages, the free exercise of labor's right to collective bargaining. In return it offers the suspension of the anti-trust laws and a greater measure of control to the trade associations than they ever dreamed of demanding. They have accepted the bargain and are going to be very sure that they get all there is in it. But the question arises whether labor can be equally sure, and the consumer wonders whether he is to be left holding the bag.

The re-employment agreement, difficult as it was for many employers to carry out, raised no industrial issues of major importance, and was avowedly only an expedient for four months. General Johnson himself has called it a "stop-gap." The establishment of the codes is another matter. Whatever the law or the administration may say, the codes are much more in the nature of a permanent reconstruction than a temporary pick-up. "Immediate re-employment," says

the General, "is a by-product." The codes do raise issues of major importance—issues on which some branches of industry, such as steel, the automobile industry, the electrical industry, the packing plants, have taken decisive stands for the best part of a generation.

In view of the magnitude of these issues, there is some ground for criticizing the official policy of rushing along to get something signed by the end of the year, no matter how much revision might afterward be called for. On the other hand, the administration may well have felt that, if matters were allowed to drag on indefinitely, the difficulties of revision might be less than those of getting anything signed at all. No one can say which of the alternatives was the easier; both had serious drawbacks, and a choice had to be made.

The result is that the codes so far signed—sixty-three at this writing—exhibit very wide discrepancies, which come out most clearly in the composition of the governing bodies entrusted with their administration. These governing bodies are, in the main, the existing trade associations. On most of them—not all—there are seats for two or three nominees of the Recovery Administration, without voting power. On very few indeed is there any direct representation of labor. This result is, in a way, natural. The trade associations were on the spot, with their lawyers, lobbyists, publicists and efficiency men, to see that they got their full share of the bargain. Labor's organizations in the basic industries were still to be created, and the consumer had no organization, inside or outside the NRA, that amounted to a row of beans.

Both the administration and the trade unions, in the writer's opinion,

committed a very serious error in failing to give adequate attention to the composition of these governing bodies. They should have worked out a considered plan of representation, and consistently followed it in the establishment of the controls. Its absence is going to create trouble in the future.

Some of the codes—for instance, those for the men's and women's clothing trades and the hosiery industry—show a genuine effort at representative government, but others, in effect, deliver the industry bound hand and foot to the big employers' organizations. The steel code is probably the worst of these; it gives sole power both to veto and to fix minimum prices to the board of directors of the steel institute, conceding only a "right to discuss" to nominees of the NRA, who must further be "persons not having or representing interests antagonistic to the industry." Who determines whether or not these persons are acceptable? Obviously, the big steel companies. Neither labor nor the consumers have anything to be thankful for in this case, as Joseph B. Eastman, the Federal Coordinator of Transportation, has recently found out.

It is practically certain, therefore, in view of the generally one-sided character of the governing bodies, that the administration will have to rely on other powers than those of the control boards to insure that the suspension of the anti-trust laws does not become a disaster to both labor and the nation. Here again, however, there is power in pre-emergency legislation that the administration can invoke if it chooses.

Nearly all these codified industries are enjoying a good, fat slice of tariff protection. Their tariffs are supposed to be based on cost of production,

which the tariff commission is empowered to ascertain. If the steel companies (or any others) do not like the notion of opening their books to the NRA, in order to justify their prices, they can open them to the tariff commission in order to justify their tariffs. And, if they fail to do so, the President has a bottle of laxative in his Executive cupboard that is guaranteed to clear their systems. The tariff power offers a potent means of correcting unreasonable prices—probably the only one the Executive really possesses—and the suspension of the anti-trust laws puts tariff policy in a new and significant perspective. Consumers will do well to study that perspective rather closely.

Issues of policy such as these, however, played but a small part in the framing of the codes, and organized labor, as usual, devoted its entire attention to the immediate foreground. In truth, there was enough there to worry about. The question of minimum wages at once took on a more serious aspect. Witness, for example, what happened at a recent code hearing. Mr. Mellon's Aluminum Company of America asked permission to reduce wages from 30 cents to 25 cents an hour. "Do I understand," asked the Deputy Administrator, "that, having gained the use of the Blue Eagle by agreeing to pay 30 cents, you now want to wash this out and pay only 25 cents?" William C. Neilson, vice president of the company, replied: "We never wanted to pay 30 cents. We agreed only because the President asked it. We thought it was to be only for a very brief period. The 25-cents-an-hour rate proposed by this code is high for us."

Studies now being made by the Bureau of Labor Statistics indicate, so far as published, that in the majority of cases the code rates of wages, com-

bined with the shorter working week, add little or nothing to the actual cash receipts of the average worker. The gain in hourly rates and the contraction of working hours just about offset each other. The textile code shows a distinct gain, the dyeing and finishing, electrical, and shipbuilding codes, an average net loss. To this certain facts must be added, namely, the displacement of pieceworkers unable to attain the minimum time-rates, the general speeding-up of the rest, and the slackening of production that has followed the effort of several industries to stock up ahead of the codes.

So far as the higher wage rates are concerned, the administration has not been able to obtain as general a guarantee of the customary differentials as it hoped for, and reliance is therefore thrown back on labor's protective and bargaining strength under Clause 7A. Further, labor knows very well—the publicity department of NRA is constantly reminding all of us—that we are in for a period of sharply rising prices. In these circumstances widespread strikes were inevitable, and the unions can hardly be accused of sabotaging the recovery program. On the contrary, if there is to be any marked addition to consumer purchasing power as a result of the codes, it is only aggressive trade unionism that can secure it.

It is no doubt a disappointing and embarrassing situation for the government, but the organization campaign must continue, and the administration must back it up. The reason is not merely that the immediate gains of labor depend on it, but that the peaceable and equitable conduct of industry now demands complete organization on both sides, and representative procedure. There is no way of guaranteeing absolute freedom from disputes,

but the chances of it are better where there is organization on both sides than where the employers claim a monopoly of it.

Criticism may fairly be leveled, however, at the effects of the craft system of organization favored by the American Federation of Labor, combined with its insistence on the rule against "dual" unionism. It is these features that supply the really exasperating element in such situations as those of the Paterson silk strike, the Illinois coal disputes and the Department of Justice building, where the unions insist on fighting each other. Jurisdictional disputes have long been a disgrace to the American labor movement, which seems to specialize in them, and the administration is entitled to look to the A. F. of L. for a much more determined effort to avoid them in the future, even if that involves letting up on the rule against dualism for the time being. The Federation needs to do some hard and fast thinking to bring its ideas about organization up to date. If it fails to modernize them, the government may have cause to regret its present close association with the A. F. of L. leadership.

There is one lesson the administration would do well to learn from the experience of other countries in the administration of minimum-wage and working conditions for labor. If it really wants these code provisions carried out, it must do its own inspecting. The recent establishment of the sixteen Regional Mediation Boards was an obvious necessity, but it is not sufficient to rely upon complaint procedure, nor is it altogether fair to labor. The impression that the administration was going to leave the policing of the labor provisions mainly to the trade unions was an unfortunate one, whether it was justified or

no. Other countries with far more experience in these matters than the United States have discovered that stipulations as to wages, hours and working conditions do not begin to operate effectively or equitably until establishments are made liable to impartial inspection. It is the liability that counts. The inspecting staff need not be large, but must be of first-class quality. England has found here a very useful field of employment for well-trained women. And in the end, the inspection policy is cheaper than mere complaint procedure, as well as more adequate. It prevents disputes arising, because it alone can remove their causes before serious trouble is started. On the whole, employers as well as workers have come to welcome it as the better way.

When we turn from the town to the countryside we encounter problems that have baffled three successive administrations. The contributions of the farmers themselves to a solution of these problems have been extraordinarily negative or futile. One sympathizes—the word is not strong enough—with their indignation at the consequences of their somewhat reckless borrowing in the high-price period; one understands their resentment at the more rapid rise of industrial prices under the Blue Eagle; one even condones their being fooled into thinking that an extravagant domestic tariff could somehow or other raise the value of export crops whose prices were fixed in a world market. But the fact remains that they have had to be bribed by the public treasury into making crop reductions that have been staring them in the face for seven years past, and that even now their efforts to band together for their own salvation are subject to a pitiable amount of ratting. It is an open question—farmers them-

selves must admit it—whether agricultural recovery would not now have been further advanced if they had never been allowed to assume that it was an obligation of the Federal Government to undertake rescue work.

The rescue work of the Roosevelt program is undoubtedly a little better than that which preceded it. It is achieving the long-postponed reduction of acreage, though at great public cost, and it is in some measure lightening the mortgage burden. But the President reminds one, at times, of Stephen Leacock's knight who "mounted his horse and galloped furiously away in all directions." Just where and how far does he think he is going? Does the administration seriously propose to reduce domestic production to the demand of the domestic market? Has it any conception of the colossal dislocation that will mean, for years and years to come, in industry no less than in agriculture? And if that is not the intention, just what is the policy aimed at?

The President surely knows that the disparity between agricultural and industrial prices arose mainly from the international market, on which the former were so much more dependent than the latter. What has happened to all his good intentions of last Winter, looking toward a restoration of international demand by working toward a return of sanity in international economic relations? There is a lot of talk about a "normal" relation of agricultural to general prices, which is defined in the Agricultural Adjustment Act as that obtaining in the "base period," 1909-1914. But that relation depended on the existence of an export demand for agricultural staples which absorbed from one-quarter to nearly two-thirds of the several crops. How on earth can that "base period" ratio be restored un-



less a substantial measure of the export demand is restored with it? The domestic market will not redress the balance at anything like the old price-ratio. Are we to go on subsidizing farm prices from now till doomsday? If so, what for? If not, what is the President doing in the international field? Yes, indeed, what is he doing?

It is a sad story, in which the absence of really first-class advisers and a well-considered plan points the moral. One can emulate Leacock's Galahad in the family circle, so to speak, and be indulgently excused for it, but one should not act so before strangers. The episode of the London conference is best forgotten, but its effects on American prestige will last for this generation. Once Woodrow Wilson encouraged the nations to look to America for a political lead. Once Franklin Roosevelt encouraged them to look for an economic lead. They will not look again.

The manoeuvres of the present administration on the international front have an air of rash improvisation that suggests an absence not merely of plan, but of principle. Europe regarded the departure from the gold standard as an arbitrary, but mainly a domestic, decision. The cancellation of the gold clause raised doubts of a graver character. The devaluation of the dollar undertaken immediately after the flotation of an important refunding issue of government bonds made the point of honor unavoidable. And the deliberate commitment of the country to the puerile policy of competitive currency depreciation disposed of whatever confidence was left.

Some excuse there might be if these measures had achieved even a temporary success; instead, even from the

short-period and purely domestic standpoint, they are a patent and abject failure. The spectacle of a modern government deliberately setting in motion, and then privately condoning, a flight of capital from its own borders, is unique, and all the more extraordinary when one finds that government with a budget hopelessly out of balance, a public debt of unprecedented and rapidly increasing magnitude, and a national income shrunk in four years by nearly 60 per cent.

The political effects on the home front have been equally unfortunate, especially in regard to the relations, if any, between the White House and Wall Street. The bankers, it may confidently be said, were prepared to go a long way with the President in reform of the financial system. They donned the coat of sackcloth and sat in the ashes of public disesteem. To many of them the revelations of gross immorality in their greatest institutions were as much of a shock as to the public at large. They were in a mood to accept a far larger measure of control and supervision. But their attitude changed, almost against their will, as they saw the administration plunging ever deeper into a financial policy which not a single first-rate economist could be found to defend.

Manufacturers and traders are now openly declaring that the banks have sabotaged the recovery program, and in one respect, to be mentioned shortly, the accusation has substance. But so far as the banking business is concerned, the profession faces a dilemma. It is reminded daily, and with truth, by both farmers and industrialists, that easy borrowing was a major cause of the collapse; yet it is urged daily, by both the administration and the small man, to loan more easily now than sound banking principles war-

rant. The bankers are sitting tight, too tight, perhaps, but if the administration wants an easy-money policy pursued beyond the point at which prudent banking, in present circumstances, can go, it must carry that policy on its own shoulders by means of its own credit institutions. Whether it should do so is an open question.

Secretary Ickes's conservatism, in the writer's opinion, was well justified while it lasted. Experience elsewhere suggests that direct cash relief is the cheapest way of handling unemployment under capitalism, for unless the government is prepared to take over the basic industries, the extensive use of public credit for works which must, in the nature of the case, be unproductive of money income, is an expedient to be used with great caution. Ultimate recovery, under capitalism, depends on the restoration of normal demand for goods and services. There is no substitute for this, and effort must be mainly devoted to the removal of all obstacles to that demand in both the domestic and especially the foreign fields. Everything else is, by comparison, lost motion.

The point on which exception, as hinted above, may be taken to the bankers' attitude is the whispering campaign against the Federal Securities Act. That act has dealt a terrific blow to the very profitable trade in securities. The bankers' objections amount, in sum, to the complaint that they cannot foretell exactly what it will mean under interpretation, and the fair answer—the answer apparently being made by the Trade Commission—is that they should wait and see. That the act was drawn somewhat hastily, and with the very minimum of consultation, may be admitted; nor would any one deny that it may need modification in the light of subsequent experience. But in view of

the record, it is up to the bankers to accept the situation for the time being. The argument that the Securities Act is a major cause of delay in the recovery of the basic industries savors, to say the least, of disingenuousness.

Viewing the recovery policy as a whole, one sees an appealing mixture of energy, idealism, provincialism and naïveté, backed up by (considering the vested interests at stake) an extremely gratifying measure of public support. The administration seems to have embarked on a program, sound in principle, of economic reconstruction without quite realizing all it was committing itself to; it now stands in a position whence it must either go forward (which means leftward) or retreat—and it has not really the choice. It indulged—and the public with it—in somewhat exaggerated hopes of the amount which any government, of any kind, can accomplish toward a speedy cure of economic depression; both alike are now suffering the inevitable headache, but the error was natural, human and excusable.

The administration is not so easily excused for the act of running away—which is what it amounts to—from the intricate and trying problems of the international arena. There can be no real running away, least of all for a creditor nation capitalized on an export basis. The administration will be forced to return with its tail between its legs—which will be a better place for that member than the former position in which it wagged the whole dog, and the sooner the better. No nation can afford to reject whatever advice and cooperation it can find outside its borders, especially when the domestic supply is second-rate. In an international world one cannot even be a nationalist all by one's self.

# The Danger of War Talk

By WILLIAM NORMAN EWER

[The writer of the following article has been foreign editor and diplomatic correspondent of the London *Daily Herald* since 1919.]

NEVER since the armistice has there been so much war talk as in these days. And that is true not only of the days since, but of many weeks before, Germany's announcement that she would leave the Disarmament Conference and give notice of resignation from the League. Now, on the face of things, it should not be so. So far as the facts go, there should be less danger of war in Europe today than ever.

There is in existence a machinery for the maintenance and the preservation of peace that never existed before. The covenant of the League not only solemnly pledges all its signatories to keep the peace. It binds them all to take immediate action against any State which goes to war. The covenant has been reinforced by the Locarno Pacts, by the Kellogg Pact, by the Four-Power Pact, by the Geneva declaration against the use of "force" as well as of "war" as an instrument of policy, by a whole network of treaties of non-aggression, by another network of arbitration treaties under the World Court "optional clause."

Never before in history were the European States so pledged and repledged not to attack each other. Never before were there such pains and penalties provided for an act of aggression. Never before was there, in the League and the World Court, such elaborate and well-organized ma-

chinery for the settlement of disputes. Not only that. In addition to all these safeguards there is the fact that those States which, rightly or wrongly, are supposed to have grievances against the existing territorial order, and which therefore might be expected to take up arms to secure what they regard as their "rights," are, militarily, in no position to do so.

Germany, Austria, Hungary and Bulgaria were the "victims" of the Versailles settlement. And equally they were reduced by that settlement to something like military impotence. An aggression by any of them against well-armed neighbor States would seem, on any national basis, to be out of the question—even were aggression, in addition, not bound to bring down upon them the active wrath of other nations pledged by the covenant—and, in the case of a German Western aggression, by Locarno as well.

There is, indeed, one power which has territorial grievances which may be suspected of territorial ambitions, and which is, at the same time, strong and well-armed. But it is a feature of the present situation that the fear of Soviet Russia which, a few years back, haunted Eastern Europe has died away almost to nothingness. The Soviet Union is so immersed in its internal affairs, so intent upon building up its new economic system, that even those of its Western neighbors who were the most anxious are now entirely undisturbed. Of all Europe, the East is now the most placid part.

But in the centre and in the West

there is, in spite of all the peace apparatus, in spite of all the peace pledges, constant fear of war, constant talk of war. It increases and decreases with events. It rose in a sharp crescendo where there were rumors of a Nazi coup in Austria; it died away a little, rose again when Hitler startled the world with his announcement of withdrawal from the League. But it is always there.

Sometimes it is talk of a Nazi attack on Austria or the Corridor. Sometimes it is talk of a Hungarian attempt to recapture the "lost provinces." Sometimes of a new French occupation of the Rhineland, of a clash between Italy and Yugoslavia; but always of war "somewhere in Europe"—whether it will come, how it will come, when it will come. Ominously "when" has become the dominant theme lately—as though "whether" were already decided, and "how" a matter of minor importance.

Why should it be so? Is there really imminent danger of a new European war? Are all the safeguards of peace really of no importance and no efficacy?

I do not believe that. It is a fool's game prophesying, as people who back horses and rely on weather forecasts should know. And is it not on record that when Lord Clarendon became Foreign Secretary he was told by the Permanent Under-Secretary at the British Foreign Office that there was not a cloud in the European sky and no possibility of any serious trouble within measurable time—an expert opinion delivered in 1870, a couple of months before the outbreak of the Franco-German war? Still, in spite of Lord Hammond's horrible example, and in spite of all the war talk in all the cafés of Europe today, I will hazard a guess. I would lay three to

one that there will be no war in Europe in the next year or two.

I do that because I do not see any government taking the chance of the "sanctions" of the covenant being enforced against it, or the chance of having to face the consequences of a defeat. There are, I know, many who argue that the League would never act, that the covenant would be a dead letter. And the bad business of Manchuria last year has certainly confirmed them in their view, though Manchuria was, in lots of ways, a very abnormal case. But though it is obviously true that the League might not act, that the sanctions might not be enforced, yet at the same time it is true that the League *might* act, the sanctions *might* be enforced, the aggressor *might* find itself at war with the whole of the "States members of the League." And I do not see any conceivable government in any European State running that appalling risk for the sake of some comparatively small and problematical gain.

Nervous Frenchmen often doubt whether, in the event of Germany's attacking France, Britain would fulfill her Locarno obligations and go to France's aid. But I do not see a German Government taking the chance.

I know the reply—that Germany took a chance in 1914, that therefore somebody might take it again. But 1933 is not 1914. The new peace apparatus—League plus Locarno—is one difference. Another is that in 1933 governments know—as they did not even guess in 1914—what are the tremendous penalties of defeat, how wretched are even the fruits of victory. And lastly, in 1914 Europe was neatly divided into alliances—the Triple Alliance and the Triple Entente. Any one who began a row could count, not simply on the chance of being left



alone but on the certainty of being assisted. There was not the foggiest possibility of a general rally against an aggressor. If such a formation of rival alliances as existed in 1914 comes into being in Europe again, I shall begin to fear another war. But there is, as yet, no sign of it.

Then, if all this be true, if there is no very real danger of a very imminent war, whence all the war talk? Why is every one talking about something which is not going to happen? The answer to that is interesting, and, I think, important, because pretty evidently war talk and war preparation do not help to maintain peace. They are a factor in favor of war; they are a factor which might tip the balance at any time to the side of war. I would almost say that the only danger of war lies in war talk—and in war preparation.

The first reason for all this war talk, or rather the condition without which it would be impossible, is the ingrained fear of a continent that has never in its existence known twenty years of unbroken peace. Every European schoolboy's history book is a reminder, a suggestion, that war is a perfectly natural, normal, almost inevitable state of affairs. It is taken for granted, as matter of course, that governments should be obsessed by a desire to increase the area of the territory they mismanage, and that it is the proudest privilege of citizenship to die in order to achieve this supreme objective. The martially minded French boy reads with pride of the days when French armies marched victoriously from capital to capital; his peaceable fellow anxiously recalls that twice within a century Prussian troops occupied Paris. Over the border the German boy knows of Turenne's ravaging of the Palatinate, of Napoleon's invasion, of Hindenburg's defense of East

Prussia against Cossack invaders. Both know how for four centuries Alsace has changed hands again and again according to the fortune of war. And so it is in every other country of Europe—pride of victory, bitter memory of defeat, but always the basic fact of war as a firmly established institution. National heroes are war heroes; national pageantry is war pageantry. War is taken for granted. The fear of it—or the thrill of it—are endemic all across the Continent.

That is the soil in which war scares, war talk, come easily to growth. Without that long tradition, that constantly refreshed memory, that perpetual sense of it as a possibility, it would be hard to raise a scare. The man who tried to start talk of a coming war between the United States and Canada would run some risk of being certified insane.

But the soil, however fertile, needs seed. Whence and why the seed? Who sets the war talk going? The answer is not very far to seek.

First among the culprits are the governments themselves. Hardly a week passes but somewhere in Europe a Minister makes a speech about war. It may be—as in the case of von Papen's famous outburst about the dishonor of dying in one's bed—claptrap glorifying war. Or it may be Mussolini boasting that Italy's airplanes can cover the sky. Or Daladier proudly claiming that France is now ready to defend her territory and her freedom. Or Sir John Simon maintaining that Great Britain has disarmed within the very margin of safety. The phrases hardly matter. The point is that the theme is the same—war; the basic assumption is the same—the possibility, the likelihood of war. Is it to be wondered at that, when "men governing" harp so constantly on that theme, the ordinary man begins to take it for

granted that "it" is coming and begins to wonder "when"?

Why do Ministers talk like this? Partly because they, too, are obsessed by the history of Europe, because, despite their having "renounced" war—all of them—they cannot bring themselves to believe in their own renunciation, or, at any rate, in each other's renunciation. They, too, are victims of fear. They are afraid to believe. When von Papen talks poppycock about the glory of war, apprehensive French Ministers say "There, you see!" When Hitler makes eloquent profession of peace, French Ministers cynically murmur the French for "Oh, yeah!"

But there is more to it than that. To a government, whatever its character or its political creed, war talk is apt to be a valuable asset. It creates a feeling of national solidarity, of patriotism, or "rallying round the government," of "closing the ranks." The cry that the fatherland is in danger is the most useful of all governmental slogans. The temptation to use it is almost irresistible.

It used to be said that a government in trouble at home was a government that was liable to seek distraction in war, or a warlike policy abroad. That, I think, is no longer true. The risks are too great. And the modern demagogue has realized that war talk serves the purpose just as well as the perilous and costly gamble of war. Create an atmosphere of fear, or of indignation against the foreigner, and people will forget their domestic grievances—or, if they do not do so, can be denounced as unpatriotic. Create, on the other hand, an atmosphere of complete peace and security, and internal discontent will have full play. Keep people's eyes on the "enemy" abroad and they will forget their own enemies at home. International discord is a powerful factor in maintaining in-

ternal concord. And patriotism, if it is not "the last refuge of a scoundrel," is the trump card of the politician, or—to adapt another famous phrase—it is the most effective "opium of the people."

Consciously then, or subconsciously—sometimes it is the one, more frequently the other—governments, by the very nature of their being, talk "patriotism," talk international rivalry, set their people against the "foreigner," set them thinking of grievances or dangers outside, set them inevitably talking about war and the possibility of war. To put it bluntly, it suits their purpose to do so, to keep alive the dread of war and the pride of "patriotism," though nothing may be further from their minds than any thought of actually going to war.

Moreover, while there are armies and fleets, they must be recruited, whether by voluntary enlistment or by conscription. And, if the "martial spirit" dies, how are volunteers to be tempted or the people reconciled to the burden of conscription? Armies and navies are dependent for their very existence on patriotic ballyhoo and on people believing in, at any rate, the possibility of war. So governments, and more especially their military and naval branches, come to have a vested interest in war talk.

So, notoriously enough, have another set of people—the armament manufacturers. They live on the fear of war. If it died out their jobs would be gone. They also do not particularly want war, unless perhaps it is far enough away to be at the same time profitable and safe. But they do very emphatically want "preparedness"; they do want big armaments. They do want taxpayers to pay freely and unstintingly for big armaments. And for that it is necessary that the taxpayer

shall live in a constant state of apprehension, shall feel that big armaments, costly though they may be, are a necessary "insurance."

The big armament firms—the thing is notorious, and every now and again, as in the famous Rumanian Skoda scandal, the facts come to light—spend millions a year on propaganda. It is propaganda for "preparedness," and the essence of it is to persuade people of the imminent danger of war. The Ruritarians are told that the Erewhonians will attack them unless they have more ships or more planes or more guns. The Erewhonians are told the same tale. Ruritanian and Erewhonian defense estimates both mount, very profitably for the armament firms. And in each country suspicion of the other, distrust of the other, belief in the coming, sooner or later, of a Ruritano-Erewhonian war, are all increased.

And so the game goes on. Causes of quarrel between the two countries may be slight; the idea of "settling" them by war may be lunacy to any sane mind. But the propaganda goes on. Ruritanian and Erewhonian statesmen alike appeal to the patriotism of their citizens, alike justify their expenditure on arms, alike seek easy popularity by taking a "strong" attitude on this or that trivial issue, alike

distract their people's minds from trouble at home by directing them to the peril across the border. Ruritania and Erewhon glare at each other over the frontier. Their newspapers snarl. The most trivial incidents—really as unimportant as if they happened between neighboring parishes—are exaggerated to an enormous significance. And in each country men talk, either with dread or enthusiasm or resignation, of the impending "inevitable" war.

It is all nonsense. The Bulgarian question, said Bismarck, was "not worth the bones of a Pomeranian grenadier." There is certainly not a single question in Europe today worth the appalling consequences of a European war. And, in their saner moments, the statesmen know it. I doubt if a single one of them seriously intends war. But they cannot rid themselves of the age-long habit of thinking war and talking war. And, moreover, it suits their purpose; it suits them as politicians to do so.

It is not true that in Europe today there is talk of war because there is danger of war. But it is most emphatically true that there is danger of war because there is talk of war. Create enough fear, create enough suspicion, and the point comes when "the chassepots go off of themselves."

# A New Deal for Latin America?

By ERNEST GRUENING

[Dr. Gruening has achieved widespread recognition as an expert on Latin-American problems. As a publicist he has contributed discussions of these questions to many periodicals.]

THE Seventh Pan-American conference convenes at Montevideo, the capital of Uruguay, on Dec. 4. To it, the twenty-one independent nations of this hemisphere are sending their delegates.

"Pan-Americanism" arose from the belief that the republics of the Western Hemisphere have interests in common, not shared by other nations. The idea had its beginnings over a century ago, shortly after the self-liberation of the greater part of Hispanic America from the mother country. The original advocate of this movement was Bolivar, the South American liberator. He envisioned a political association or federated union of the former colonies of the Spanish Crown which would act through a congress.

Only four countries were represented at the first congress in Panama in 1826—Mexico, Central America (which was then but a single State), Colombia and Peru. The delegates of the United States were appointed too late to be able to attend. Plans for regular sessions of a conference failed to win the approval of various governments, and no permanent organization resulted. Over half a century was to elapse before the Pan-Americanism of today was to take on concrete reality.

The idea was revived in 1882 by Secretary of State James G. Blaine and was kept alive in the years follow-

ing, through the introduction of various bills in Congress to make it a reality. In 1888, a bill authorizing such a conference in Washington the following year was approved by both houses and by President Cleveland. But the call to the conference emphasized that it was to be "consultative and recommendatory only." In consequence, the conference accomplished little of permanence. The most tangible result was the founding at Washington of the Commercial Bureau of the American Republics.

Toward the close of the century, President McKinley proposed the holding of another Pan-American conference. On the invitation of the Mexican Government, it met at Mexico City in 1901. It likewise accomplished little, although it made provision for a third Pan-American conference within five years. This conference met at Rio de Janeiro in 1906. Here a few minor conventions were adopted as well as a regular program for Pan-American conferences about every five years.

By the time of the fourth conference at Buenos Aires in 1910, the agenda had been more carefully prepared and the machinery of discussion and action had begun to function more smoothly. Some twenty resolutions were passed. The Commercial Bureau of the American Republics, which had been reorganized at successive conferences and given amplified functions, was now renamed the Pan American Union.

Some of the underlying conflicts of interest between the United States



and the Latin-American States now came to the surface for the first time. Latin-American States had by this time become fearful of "North American imperialism." In the twenty-one years since the first conference, the United States had expanded rapidly to the South. In consequence of the Spanish-American War, we had acquired Puerto Rico, assumed a semi-protective status over Cuba through the Platt Amendment, acquired the Panama Canal Zone through a revolution fomented by American interests in Colombia which had given birth to the Republic of Panama, and established a collectorship of customs in the Dominican Republic. Voicing a growing sentiment, Manuel Ugarte, foremost of the critics of "North American imperialism," declared that the interests of Latin-American States would be better served through Latin-American conferences from which the United States would be excluded.

Before the fifth conference took place, this sentiment was vastly accentuated on the one hand by the growing strength and self-conscious nationalism of the Latin-American States, and on the other by certain performances of the United States. These included the "dollar diplomacy" of Secretary of State Philander C. Knox, the intervention of the United States in Nicaragua, the Dominican Republic and Haiti, the bombardment and seizure of Vera Cruz by President Wilson, the lease of a site for a naval base on the Gulf of Fonseca on the west coast of Nicaragua, and repeated acts of intervention in the affairs of the Central American republics.

The fifth conference, scheduled to take place in Santiago de Chile in 1914, was postponed because of the war and did not meet until 1923. Its results were tangible. Four conven-

tions dealing with commercial matters were adopted as well as a treaty for the pacific settlement of disputes between American States by means of commissions of inquiry which were to be established specially for each dispute. The treaty, however, was denatured by the provision that the findings of the commission in each case would be considered merely as a report and would not have the force of a judicial decision or of an arbitral award. It provided, however, for a delay of eighteen months before the parties to the dispute could resort to war. The resolutions adopted dealt with legal matters, the definition of the status of the children of foreigners, the rights of aliens, sanitary safeguards, commercial aviation, electric communication and uniformity of statistics. Proposals to limit armaments and to reorganize the Pan American Union were defeated.

This conference brought into clear relief the wide divergences of opinion and purposes then existing between Latin-American States and the United States. Throughout the conference an undercurrent of antagonism to United States imperialism was evident beneath the polite phrases of diplomats. This was further emphasized by the conspicuous absence of Mexico, which at that time had not been recognized by the Harding administration. Mexico's refusal to participate was based on the technical excuse that it had no Ambassador in the United States, and consequently no membership in the Pan American Union, but in reality Mexico's abstention was a protest against the policy of Secretary of State Hughes, who refused recognition to the Obregon government unless Mexico first agreed to sign a treaty pledging certain acts and policies favorable to the interests of the United States.

A dramatic interruption at this conference, widely reported throughout Latin America, but hardly noticed in the United States, was made by an eminent Haitian, Pierre Hudicourt, and by a well-known Dominican, Manuel M. Morillo, who traveled to Santiago to protest against the invasion of their countries by the armed forces of the United States, the overthrow of their governments, and the establishment of military régimes by United States marines. Not being delegates, they were denied a formal hearing, the governments of their countries being also at that time under United States control, but none the less they managed to make themselves heard.

Behind the scenes, delegates from Latin-American countries criticized freely the wide discrepancy between the high-sounding official pronouncements of United States representatives and the acts of aggression of the United States in and about the Caribbean, the penetration there of American financial interests, often through direct military force and at other times through diplomatic pressure backed by the threat of actual intervention. Opposition to the dominance of the United States found expression in various ways—chiefly through the efforts of Latin-American delegates to provide for the reorganization of the Pan American Union.

Arguments for a change are based not merely on the fact that the headquarters of the union is in our national capital, but on its organization. The chairman of the governing board is the Secretary of State of the United States and the director general of the Pan American Union has always been a citizen of the United States. Many of the union's bureaus are actually integrated with some of the United States Government Departments at

Washington. Most of the union's literature is printed in English and its services have been chiefly utilized by commercial agencies in the United States. Finally, the governing board consists of the diplomatic representatives accredited to the United States—the Ambassadors and Ministers sent to Washington by the twenty Latin-American republics. Thus Mexico actually had no representative in the Pan American Union from 1920 to 1923, because there were no diplomatic relations at that time between the United States and Mexico.

While the United States delegation at first resisted any change in this organization, a slight modification was adopted at the Fifth Pan-American conference. It was agreed that henceforth all the American governments were entitled to representation in the Pan American Union, and that representation should no longer be dependent on whether existing governments were or were not recognized by the United States. Moreover, the president of the governing board, instead of being automatically the Secretary of State of the United States, was to be elected. However, the Secretary of State was immediately elected, and while the United States had yielded slightly, dissatisfaction continued.

This dissatisfaction would have probably assumed a more violent form at the Sixth Pan-American conference in Havana in 1928, but for certain circumstances. First, Cuba was at that time dominated by Machado, whose policy was to be subservient to our State Department in every respect. The State Department, of course, as subsequent disclosures have made plain, was under an alleged policy of "hands off," doing all it could to support Machado. The dictator reciprocated by preventing Havana newspapers from printing adverse or critical

comment on United States policy during the conference, and actually suppressed several newspapers that voiced such criticism. The delegations from several smaller countries in and around the Caribbean were likewise dominated by the State Department. Moreover, the United States sent an impressive delegation consisting of former Secretary of State Charles Evans Hughes, former Senator Oscar W. Underwood, Ambassadors Dwight Morrow, Henry P. Fletcher and Noble B. Judah, Ray Lyman Wilbur, Morgan J. O'Brien, James Brown Scott and Leo S. Rowe. Finally, President Coolidge visited Havana to address the conference, the first time that a President of the United States had set foot on Cuban soil. Thus the heaviest diplomatic artillery of the United States was deployed on advantageous ground to quell any verbal insurrection.

What most concerned Latin Americans was the question of intervention, in regard to which various delegations arose to record the opposition of their governments and peoples. Some even declared that this Pan-American conference might be the last if it did not accede "to the desires of the people of all the continent." Some thirteen States made vigorous declarations in favor of the principle of non-intervention. This principle had been expressed concretely by a conference of Latin-American jurists which had met the year before at Rio de Janeiro.

This sentiment against intervention was met head on by the United States delegation. On its behalf Charles Evans Hughes, speaking with pontifical vigor, proclaimed the view that nations had duties as well as rights, and that "when government breaks down and American citizens are in danger of their lives," the United States could not give up its right to protect

them. Since unanimity was necessary for the adoption of a convention or treaty abolishing or limiting intervention, the pleas of the Latin-American States came to nothing.

There was obviously scant meeting of minds between the United States delegation and the majority of Latin-American delegations, the members of which keenly resented our rôle of the self-appointed and self-constituted guardian of law and order in the Western Hemisphere, exercising on our own initiative and authority a right of intervention not claimed by any other State.

This question will be uppermost again in the forthcoming discussions at Montevideo. What the attitude of the United States will be remains to be seen. But an augury of a possible change of policy may be found in the principle advanced by President Roosevelt on May 16 in his appeal to the nations of the world, in which he proposed, subject to existing treaty rights, "that all the nations of the world should enter into a solemn and definite pact of non-aggression; that they shall solemnly reaffirm the obligations they have assumed to reduce their armaments and provided these obligations are faithfully executed by all signatory powers, individually agree that they will send no armed force of whatsoever nature across their frontiers." It will be noted that this proposal is contingent upon certain other actions of the nations. These contingent obligations, however, have little pertinence in Latin America. There is, also, still to be determined the question of whether the Roosevelt administration will adhere to the interpretation of Mr. Hughes, which embodied the policy of the preceding Republican régimes of Harding, Coolidge and Hoover, that our acts of armed intervention in Latin-

American States do not constitute aggression.

No change of policy would be more productive of good-will for the United States than one which frankly abandoned intervention, or at least when such intervention was deemed absolutely indispensable, consulted first with the other Latin-American States with a view to making such action joint—a common task in the policing of the nations of this hemisphere rather than the arbitrary act of a single power deriving its right solely from might.

The growing sentiment in the United States among students of international affairs for a modification of our policy of intervention is indicated by the recommendations made concerning the Montevideo conference by a Committee on Latin-American policy, representing the Foreign Policy Association and the World Peace Foundation, and constituting a cross-section of informed opinion in the United States. It recommends "that the American States conclude at Montevideo an agreement following the general principle advanced by President Roosevelt on May 16 to the effect that no State, acting on its private authority, should send its armed forces across the frontiers of other States, except in accordance with treaties and for the purpose of evacuating foreigners from the ports of disturbed areas."

The committee was not, however, wholly unanimous on this wording. Two members, Professor George H. Blakeslee of Clark University and Eustace Seligman of the law firm of Sullivan & Cromwell, endorsed the resolution with a reservation "that until machinery is created for international control of intervention, a State may send its forces into another State when such other States fail to

provide minimum requirements for protection of foreign residents, provided that prior thereto it must present to the governing board of the Pan American Union a full statement of the reasons for its proposed action, invite other American governments to participate in its protective action, and finally promptly report to the governing board on all action taken."

An agreement to continentalize the Monroe Doctrine was also recommended by the committee. The Monroe Doctrine is another sensitive spot in Latin America. Argentina and Mexico have at various times formally declared that they do not recognize it as a regional doctrine. The attitude of virtually all Latin-American States in recent years, declared unofficially, has been that they no longer feel themselves in peril from possible aggression or penetration by any non-American power; that they resent the assumption by the United States of the rôle of protector, and that they far more fear aggression from that protector than from the Old World powers against which the doctrine was originally promulgated. It is therefore doubtful whether even a frank offer by the United States to make the Monroe Doctrine multipartite among the States of this hemisphere would meet with favor. Nevertheless, the following agreement urged by the committee would constitute a distinct step forward:

"1. No non-American State shall acquire territory in the American hemisphere under any condition or gain control of any government in the American hemisphere, and, in the event of a threat of any such action by a non-American State, the American States shall consult with each other.

"2. No American State shall seek in



the territory of another American State any base for military or naval operations, and, in the event of a violation of this undertaking, the American States shall consult with each other."

Of course some of the Latin-American States may raise the point that the United States has already acquired naval bases in this hemisphere outside its own territory. However, the proposal by the United States delegation to continentalize the Monroe Doctrine would go far to show our good-will and tend to square our present policy with its past professions.

Another issue closely related to the foregoing is that of Cuba. On this subject the recommendation of the committee speaks for itself: "Despite existing obstacles, the committee believes that the United States has already made a commendable contribution toward the political success of the Montevideo conference by avoiding armed intervention in Cuba during the recent crisis, and it further believes that an even more friendly atmosphere might be created should the United States announce its willingness to enter into negotiations with Cuba for a revision of the Platt Amendment as soon as normal conditions are restored in the island."

Furthermore, the reorganization of the Pan American Union to make it a more truly joint undertaking will again be urged by Latin-American delegations.

These are the underlying problems which will confront the Montevideo conference. At a time of increasing world chaos and distrust, with international cooperation in Europe and in the Orient apparently on the decline and the use of force ascendant in international dealings, the conference affords an unusual opportunity to strengthen the factors that make for harmony and peace in the Western Hemisphere. War, to be sure, is now going on between Bolivia and Paraguay in the Chaco Boreal. The League of Nations, which is exercising jurisdiction over this dispute, has sent a commission to the scene, and it is desirable that the Montevideo conference lend its services in support of this League agency. This issue will come before the conference.

Matters of tariffs and trade underlie the political activities which hitherto have occupied the forefront of Pan-American activity. It is apparent that the negotiation of reciprocal trade agreements which would facilitate the interchange of commodities in this hemisphere is a difficult problem in view of the nationalistic economies now rampant throughout the world. That those trade relations will need to be strengthened to achieve economic recovery is undoubted. Whether or not much can be achieved directly in this field at Montevideo remains to be seen. But it is axiomatic that every mutual interest will be advanced by the creation of an attitude of good-will between the twenty-one States.

# How the Wets Won

By ELMER DAVIS

[Mr. Davis, a well-known writer on many aspects of American life, is also the author of several volumes of short stories and essays.]

THE repeal of the Eighteenth Amendment, significant enough in itself, is perhaps still more significant in its implications. Democracy today is in discredit; enthusiasts both of the Right and of the Left assume as a self-evident dogma that the people do not rule, that they are pushed and pulled this way and that by politicians, propagandists and sinister forces. Yet the final phase of the history of the Eighteenth Amendment is a conspicuous instance of the triumph of a mass sentiment which amazed the propagandists and completely dumfounded most of the politicians. The creation of this sentiment was partly the work of outstanding leaders—Smith, Butler, Wadsworth, Morrow, Raskob and others; but most of them sacrificed their own political futures in the cause. When their work came to fruition most of the leaders of the moment were taken by surprise; they did not lead, they were pushed, by the momentum of an unforeseen mass emotion. This time, the people ruled.

Go back to the national party conventions in the Summer of 1932. The prohibition cause was undoubtedly in a bad way; the defection of such a distinguished Republican as Dwight Morrow in 1930, the Wickersham report and its panicky and bungling treatment by President Hoover in 1931, and the apostasy of Mr. Rockefeller Jr. (together with the overwhelming wetness of the last *Literary Di-*

*gest* poll) in the Spring of 1932, all showed which way the wind was blowing; but most of the politicians who assembled at Chicago in June, 1932, still thought it was only a breeze and not a hurricane. Traditionally, the attitude of party platforms toward prohibition had been to please the dries as much as possible without offending the wets; it looked as if the conventions of 1932 would merely change the emphasis, not the principle, and please the wets as much as possible without too seriously offending the ardent dries.

That was what the Republicans did, or tried to do, with their famous straddle plank—a logical and constitutional monstrosity whose provisions would have been even more unworkable than the Eighteenth Amendment. It was not intended, of course, as a solution of the liquor problem, but as a net to catch as many votes as possible from both sides; but the significant aspect of the Republican treatment of prohibition was not this mild concession to wet sentiment, but the fact that only the influence of the White House on a convention largely composed of Federal officeholders jammed it through. Even so, more than 40 per cent of the delegates joined Nicholas Murray Butler and Hiram Bingham in their demand for straight repeal.

The Democrats, meeting two weeks later, had had time to observe the general ridicule and disgust aroused by the Republican straddle; but the lesson to the average politician was not

that the Democrats should demand repeal, but that if they went just a little further they would get the wet vote without losing too many of the drys. Roosevelt was the leading candidate and the bulk of his support came from the supposedly dry areas. The subcommittee of the resolutions committee that was assigned to draft the prohibition plank was controlled by Roosevelt men; and it voted 6 to 3 for resubmission of the amendment to the people, without committing the party to any position on the question.

That this was not the ultimate decision was due chiefly to Senator David I. Walsh of Massachusetts, vigorously supported by W. A. Comstock (later Governor) of Michigan, Senator Bulkley of Ohio and others, who demanded that the party go on record as favoring repeal, and also immediate amendment of the Volstead Act to allow beer. After the first day's argument they had twenty of the committee's fifty-five members on their side, and these twenty represented a majority of the population of the country. But in convention committees each State has one vote, and it looked as if an alliance of the drys and the play-it-safers would commit the convention to the colorless resubmission plank. The war horses of the dry cause were on hand to fight against any concession to the wets at all; Bishop Cannon, with the prestige of his triumphs of 1928 behind him, warned the committee that "the South will not stand for a wet platform"; and the drys offered an indubitably reasonable and powerful argument when they said that the dominant questions of 1932 were economic and that prohibition at such a time was only a distracting side-issue.

But menaces and logic were equally impotent against an aroused public opinion. Delegation after delegation came to Chicago with the word that

"our people back home want repeal." Every time the convention had a chance to show its feeling on the issue, that feeling was wet. On June 29 the resolutions committee wrestled all the afternoon with the platform, and at the end of the day the Walsh-Comstock plank committing the party to a demand for repeal carried in the committee by 35 votes to 17. When it came to the floor of the convention the majority for it was still more overwhelming; after such drys as Cordell Hull had argued for the mere-resubmission plank on the ground (again, very plausible) that it would be unfair to bind dry Democrats to support a party declaration which did not agree with their convictions, the convention adopted the plank demanding repeal by a majority of 934 to 213.

This was the real death blow to the Eighteenth Amendment. Prohibition, it is evident in retrospect, was already doomed; but it would not have fallen in 1933, it might have dragged on for years longer, but for this successful fight in the resolutions committee. Al Smith did more than any other one man to kill prohibition, but for the decisive blow at the decisive moment the credit is chiefly due to Walsh and Comstock. Yet they would have been unable to win over the majority of the committee if the most insensitive of politicians had not suddenly realized that on this point the people had made up their minds.

Properly enough, prohibition played a minor part in the campaign. The Roosevelt victory could be construed as a mandate for repeal, at least in a negative sense; but the election had obviously turned chiefly on other issues, and few people appreciated the significance of the fact that several States, on election day, had repealed their own prohibition laws.

When the lame-duck Congress met,

with urgent economic problems pressing for action, the Democratic House leadership under Vice President-elect Garner insisted on having a repeal resolution brought up on the opening day. Indignant wets protested that this was a snap vote intended to shelve the question for the remainder of the session, and indeed, in such a critical time, there would have been much excuse for shelving it if it threatened to consume the time of Congress in protracted debate. The drys objected to the immediate vote for other reasons; one of them, Representative Tarver of Georgia, declared that "you know if you don't do it now you won't do it at all." They did not do it then; but 272 Representatives voted for repeal, only 144 against it; a change of six votes would have put it over. Also, more than half of those who voted dry had been defeated for re-election; the wets were mostly coming back for another term.

Nevertheless, the dry leaders greeted this dubious victory with jubilation—"the tide has turned," "next time the margin will be greater," "the South will never vote against the Eighteenth Amendment," and so on; but from this time on the comments of the gentlemen who were rattling around in the shoes of the late Wayne B. Wheeler were destined to provide comic relief to the drama of repeal. On Dec. 21, 1932, the wets won their first Congressional victory in fifteen years when the House passed, by a majority of 65, a bill legalizing 3.2 per cent beer. Only seven months earlier the same men had voted down a 2.75 beer bill by a majority of 40; sixty-odd votes had already been changed by public opinion. That bill died in the Senate; but meanwhile a Senate subcommittee headed by Blaine of Wisconsin (a wet lame duck) was considering a repeal resolution, and it

was this which was finally submitted to the States.

Here was the second critical point in the repeal process. The subcommittee had originally considered submitting the amendment for ratification, as usual, by State Legislatures; but wets who remembered how Anti-Saloon League pressure had stampeded the Legislatures of 1919 had put the demand for ratifying conventions into both national party platforms, and this eventually went into the amendments. It seems likely now that Legislatures would have ratified about as quickly as conventions; but in February the overwhelming trend of public sentiment was not fully appreciated. The Blaine resolution, moreover, was at first unsatisfactory to the wets because it included a clause giving to Congress power to regulate or prohibit consumption on the premises. This, of course, retained the principle of Federal control of local habits and insured that a large part of every session of Congress would be taken up with a fight over prohibition; the provision was later amended to give Congress and the States concurrent power to this end, which would have been even worse.

That clause was stricken out on the floor of the Senate (after the threat of a dry filibuster had been repulsed) by the narrowest possible margin, 33 to 32; and the decisive vote against it was cast by the dry Senator Borah on constitutional grounds—that in a State which chose to legalize the saloon there would be "two sovereignties contending against each other." This brought the resolution down to the "naked repeal" that the House wets were demanding; and its nudity was decently veiled by an innocuous fig leaf at the last moment when a clause reaffirming constitutionally



the Federal protection for dry States (already provided for by the Webb-Kenyon Act of 1913 and the Reed amendment of 1917, which are still in force) removed the qualms of dry Democrats who did not want to go against the official pronouncement of their party. Thus amended, the Blaine repeal resolution passed the Senate on Feb. 16, 1933, by a vote of 63 to 23; the Democrats dividing 33 to 9, the Republicans 29 to 14.

Now at last the Democratic leaders were realizing what a gold mine they had unwittingly got hold of when the party platform demanded repeal. In the House, a caucus made repeal a party issue, and when, on Feb. 20, the resolution came to a vote, 179 Democrats were for it, only 32 against. The Republicans, who had shown a majority of only 3 for repeal in December, gave a margin of 20 in February and the resolution passed the House by 289 to 121. (The lone Farmer-Laborite in each house voted for repeal.)

The dry leaders still vociferously insisted that the amendment would never be ratified by thirty-six States, but they cast some doubt on their own assertions by their desperate endeavors in various States to prevent any expression of public opinion. In Ohio and Missouri they attempted by petition to get up "referendums against the referendum"; but in both States the courts ruled against them—in Ohio invoking, with poetic justice, a precedent set when Ohio wets had tried to head off the ratification of the Eighteenth Amendment fourteen years before.

In New York, the courts were asked to enjoin the election of convention delegates as unconstitutional, but the application was soon withdrawn and a similar attack threatened in New Jersey by the Anti-Saloon League leaders never materialized. Still, in early Spring few people would have pre-

dicted the ratification of repeal in 1933; it was believed that a number of States would go dry, and it seemed doubtful if thirty-six States would take action during the year. In Maine and Kansas bills providing for a vote on ratification were beaten in the Legislature; in other States either Legislatures or Governors refused to take action. The only sign of the trend then visible was the action of the Legislature of Alabama, which passed a bill for a referendum over the Governor's veto. And meanwhile it began to seem possible that modification might block repeal.

Beer had been legalized in March and many observers expected the consequences of this measure, whatever they might be, to work against the repeal movement. The drys predicted orgies of drunkenness against which the moderates would revolt, and many wets thought that beer would satisfy so many people that the demand for repeal would lose much of its force. A more powerful influence in this direction, largely overlooked at the time in the excitement about beer, was the repeal of restrictions on prescription liquor at the end of March. This made good whisky cheaper and easier to get than it had been for fourteen years, and it could have been supposed that many drinkers of hard liquor would feel that they had about all they wanted without going any further.

Such was the situation when the "repeal parade" began with the election in Michigan on April 3. The State dry law had been repealed in November by a vote of 2 to 1, and the wetness of Michigan as a whole was not in doubt. But the drys (after the usual vain attempt to prevent the referendum) had insured the election of delegates to the convention by legislative districts. Since in Michigan, as in most States, the districting

favors the farming areas against the cities, the drys were much better off than if the delegates had been chosen at large. But Governor Comstock's State went wet by 3 to 1 and the repealists carried 99 out of the 100 districts. Here was the first evidence, destined to be reinforced in one State after another, that even the farmers had largely deserted prohibition. The next day Wisconsin, whose distaste for prohibition had long been known, went for repeal by an even larger margin.

But the drys were not discouraged. At a conference in Washington on April 13 the Rev. William S. Abernethy declared that "the wets in their mad hysterical demand for beer have assured the retention of the Eighteenth Amendment." Rumors from Rhode Island, the next State to vote, gave him some support. Rhode Island had never ratified the Eighteenth Amendment, but at the last moment the repealists began to be worried by the fact that beer had brought back the saloon. It was feared that this would estrange the middle-of-the-road voters; but on May 1 Rhode Island went for repeal by 7½ to 1, every rural town but one voting wet. The drys pinned some hopes on the next State, Wyoming, on the ground that here they had had "time to organize"; but their organization succeeded in electing only 40 of the 374 delegates to the convention. The next State, New Jersey, was never in doubt; but the wets derived further encouragement from its decisive margin of 7 to 1.

Meanwhile, however, repealists had begun to be disturbed by the silence of the White House. Mr. Roosevelt, who had told the nominating convention that "your candidate wants repeal," had said nothing about it since his inauguration, and there was a persistent rumor that he was satisfied

with beer and would not risk loss of support for his recovery program by further antagonizing the drys. But the introduction of the National Industrial Recovery Act on May 17 was accompanied by a Presidential message in which, almost parenthetically, was presented an argument for repeal peculiarly effective in the circumstances of the moment, namely, that the new and onerous taxes required to finance the public works program could be dropped on the repeal of the Eighteenth Amendment, when "the pre-prohibition revenue laws will automatically go into effect." This was almost Mr. Roosevelt's first contribution to the repeal movement; but it was astutely timed, and beyond doubt of immense influence. Every taxpayer had thereafter a personal interest in the repeal of prohibition.

New York's vote on May 23 was notable only for the size of its wet majority—nine to one. After the largest State came the two smallest, on May 27; the drys had no hope in Nevada but they had some reason to count on Delaware, one of the few States that had stood by Hoover in the previous Fall. But the home State of the du Ponts fell in line with their crusade, and went three to one for repeal.

By the beginning of June the drys were saying that they had never expected to carry any of the eight States that had already voted, though in fact they had had some hope in Wyoming and Delaware, but that June would tell a different story. Eight States were voting in that month, and on June 4 Dr. F. Scott McBride, general superintendent of the Anti-Saloon League, declared that all of them "except possibly Illinois" would go dry. Illinois went overwhelmingly wet on June 5, even the formerly dry down-State districts voting two to one for

repeal; and the next day the drys suffered their heaviest blow yet when Indiana, once the meekest satrapy of the Anti-Saloon League, voted three to two for repeal. Delegates were elected by districts, but the drys got only one-fourth of them.

The undissuadable McBride, with no hobgoblin fears of inconsistency, asserted next day that "Indiana is normally wet." It had been abnormally dry a few years earlier; the change might possibly have been explained by the fact that of its outstanding dry leaders, darlings of the Anti-Saloon League, one was serving a life sentence for rape and another had escaped jail for bribery only by pleading the statute of limitations. Anti-Saloon League chickens were coming home to roost. Just before the election Bishop Cannon had said that "if we can win Indiana we can prevent repeal." When they so conspicuously failed to win Indiana, many drys must have seen the handwriting on the wall.

And now the influence of beer was beginning to be felt, an influence strongly favorable to repeal. Dr. McBride, fighting to the last, had said that "the brewers are cheating; they are afraid to put 3.2 per cent of alcohol in their beer"; yet at the same time he had seen more drunkenness since the beer bill was passed than in the fourteen years since the adoption of the Eighteenth Amendment. No one else, however, seemed to have noticed it; the excesses that even many wets had feared had not occurred—beer was making people happy and was not making them drunk. The success of that experiment was undoubtedly another strong influence toward repeal.

Massachusetts, Connecticut and New Hampshire voted wet as expected (though by wider margins than most

people had foreseen), and on June 20 another notable conversion was registered when Iowa, once almost as dry in theory as Indiana, went for repeal by three to two. Still more striking was the vote of California on June 27. It had been supposed that Southern Californian sentiment plus the influence of the wine-grape interests might perhaps hold the State for the drys, though their leaders evidently knew better, vainly trying to stop the vote by court action; but the wets carried it three to one. West Virginia voted for repeal the same day; and the gallant McBride found in the fact that the margin here was smaller than usual evidence that "the dry chances are constantly improving." It took faith to draw such a lesson from a repeal victory in a State which twenty-one years earlier had adopted State prohibition by a majority of 80,000.

In July the repeal movement came up to the high hurdle. Sixteen States had already voted on the amendment; all had voted for repeal, including at least five that were traditionally dry; almost everywhere the size of the repeal margin had been astounding. But all these States except West Virginia were north of Mason and Dixon's line. July, with Alabama, Arkansas and Tennessee voting, was to test the doctrine so constantly asserted by dry leaders, and accepted by many of the wets, that the South would never let the rest of the country get rid of prohibition. Here Mr. Roosevelt struck his second blow, and again it was powerful; on July 9 he called on Alabama Democrats to stand by their party platform and vote for repeal. Postmaster General Farley reinforced the appeal by personal conversations on a missionary journey through the three States; and on July 18 repeal carried Alabama and Arkansas, in each case by about three to two.

From that moment the fight was over. The *Dallas News* saw in the Alabama-Arkansas vote "the utter rout of preacherdom," and offered the sound if not very novel advice to the clergy to get out of politics and go back to the Gospel. Yet two days later the dries almost won their only victory. Mr. Roosevelt's letter may have helped powerfully to carry Alabama and Arkansas, but it almost lost Tennessee; when he made repeal an issue of party loyalty the Republican mountaineers of Eastern Tennessee turned out to vote against it. Only the heavy vote rolled up by the Memphis machine enabled the wets to carry the State by a margin of 8,000 in a total vote of a quarter of a million; if the delegates had been elected by counties instead of at large they would have lost it.

Still, repeal had carried Tennessee; the next day it carried Oregon, another former dry stronghold. As late as June 18 Dr. McBride had been declaring that "the real test will not come till next year"; a month later it was apparent that there would be no next year. The only dry leader who still kept up his spirits at the end of July was Canon William Sheafe Chase, who was sure that the Supreme Court would hold that elections in all States which had chosen delegates at large were illegal—a view hardly plausible in view of the tendency of the court, pointed out long ago by Mr. Dooley, to follow the election returns. Now States that had earlier hesitated or refused to act were hurrying to fall into line. Four more ratified in August, including Arizona, dry since 1915; Texas, once a province of "preacherdom"; and Washington, where the dries had hopes because the delegates were chosen by districts, but carried only four districts out of 99.

Seven more States joined the parade in September; four of them, including Maine, the cradle of prohibition, had formerly been counted as dry, but the only one in which the vote was at all close was Idaho, where Mormon influence held down the wet margin to about five to four. In October Virginia turned against Bishop Cannon and Florida came into the fold; and Nov. 7 was to see the final triumph.

No doubt the later stages of the movement were speeded by a feeling among moderate dries, expressed by Governor Pollard of Virginia when he advised his fellow-citizens not to stand out against a constitutional change already demanded by thirty-one States. Fanatical prohibitionists had long talked of the thirteen small States that could keep prohibition in the Constitution even if the rest of the country wanted it taken out; but many of their followers were better sportsmen and better citizens. Even if they had not been, it seems doubtful if thirteen States could have been found. The latest tabulation of the popular vote, at this writing, shows that while about 40 per cent of the people who voted in last year's Presidential election did not vote on prohibition at all, three-fourths of those who did vote demanded repeal.

It is fortunate for the nation that the wet preponderance was so overwhelming; fortunate that ratification was by popular vote and not by action of Legislatures (too many people remember how the Anti-Saloon League stampeded Legislatures in 1919); fortunate that in no State was a wet popular majority nullified by the tortuosities of legislative districting. The people at last had a chance to speak, and they spoke without ambiguity. A year ago, even six months ago, no one could have



dreamed that the decision would have been so speedy or so one-sided. Political leaders in the main did not lead; they were pushed, and pushed by a tidal wave. Even Mr. Roosevelt, whose two interventions in the campaign, perfectly timed to produce the maximum effect, were largely responsible for the success of repeal in 1933, had little to say until a far-sighted man could see that a tidal wave was coming.

And now what? State control of liquor sales may mean a dozen different systems, at least in the experimental period. States that want saloons will have them, but there is ground for hope that they will be an improvement on the saloons of old. In New York many of the better speakeasies, organized as clubs, intend to remain clubs after repeal, counting on faithful old customers to sustain them against the competition of public restaurants; it remains to be seen how they will fare. One thing seems pretty sure—a man who travels much across State lines is apt to find himself pretty much confused in the Nineteen Thirties unless he sticks to wine and beer.

But the Federal Government is not yet wholly detached from the liquor issue. The Twenty-first Amendment empowers it to help the dry States keep liquor out, and that proviso is a morally binding contract; without it, repeal might not have mustered enough moderate votes to pass Congress. It is true that the history of the years just before, as well as of the years since, constitutional prohibition was adopted suggest some doubt as to whether there is any State with a passionate desire for genuine dryness; but there will undoubtedly be States that will vote themselves dry, and the wets are under obligation to help them stay dry.

Two Federal laws, enacted to this

end before the day of national prohibition, are still in force—the Webb-Kenyon Act of 1913 and the Reed Amendment of 1917. The first of these prohibits shipment in interstate commerce of liquor intended “to be received, sold, possessed or in any manner used in violation of any law” of the State into which it is sent. But this still permitted shipment into the so-called dry States—mostly Southern—which at that time allowed importation of limited quantities of liquor for personal use even though public sale was forbidden. It is hard to see how any reasonable wet could object to the continuance of the Webb-Kenyon Act.

But the Reed amendment is a very different matter. This statute, a rider to the Postoffice Appropriation Bill of 1917, forbade any shipment of liquor at all into States which did not permit its manufacture and sale. States semi-dry by their own enactment were to be forcibly and completely dried up by Federal authority. Not much attention seems to have been paid to it in the two years before it was superseded (though not repealed) by the Volstead Act; but there it is, still on the statute book despite the repeal of the Eighteenth Amendment. In 1917 some States prohibited liquor advertising, others did not. The Reed amendment provided that no “letter, postal card, circular, newspaper, pamphlet, or publication of any kind” containing liquor advertising could be mailed into any State where such advertising was forbidden by local law; violation entailed penalties of fine and imprisonment on everybody concerned; and it was further provided that trial could take place either in the State from which, or the State to which, the offending matter was sent.

Whatever Senator Reed's motives in introducing this proposal, which was

passed in compliance with demands of the dries, it now reflects the sentiment of a very different time, when the Anti-Saloon League could get away with anything, plus resentments irrelevant to the whole issue. However, it is hard to see how radio advertising, undreamed of in 1917, can be prevented from crossing State lines.

The beer bill passed last Spring explicitly recognized the Webb-Kenyon Act, and re-enacted the shipment (but not the advertising) clause of the Reed amendment, as applied to beer. Neither seems to have had any effect in keeping beer out of the States whose citizens wanted it and whose politicians would not permit its sale. But the obvious remedy for that is to change the local laws to reflect local opinion. The recent volume, *Toward Liquor Control*, prepared by Raymond B. Fosdick and Albert Scott under the sponsorship of John D. Rockefeller Jr., recognizes that State-wide prohibition can succeed only if there is an "overwhelming majority" in favor of it; and that even so it might be wise to make concessions (as in delivery of package goods) to the wet minority, to prevent such States becoming "paradises for bootleggers" whose product would undersell good legal liquor in wet States. With State laws really reflecting local sentiment, with the Reed amendment repealed, the prohibition unit might enforce the Webb-Kenyon Act with fair success. Otherwise there arises the possibility that the Federal Government, after repeal, might have to protect the wet States against bootleg competition from their dry neighbors.

Taxation is another Federal problem. At this writing domestic whisky is subject to a Federal tax of \$1.10 a gallon, with a tariff duty of \$5 a gallon on imported liquors. The first

liquor advertisements in New York, for delivery after repeal, quoted prices for standard brands of liquor which, with the tax included, were considerably higher than current rates for bootleg imitations. A nation which is still hard up, and has become toughened to all sorts of synthetic substitutes, may enable the bootlegger to go on prospering, if the price of real liquor is set too high.

Again the Fosdick-Scott study takes the sound position that the primary objective should be temperance and the elimination of corruption rather than revenue. Taxes should be kept down so that prices can be kept down and bootleggers driven out of business. Yet the government is going to need a great deal of money in the next few years, and the yield of all taxes has fallen off considerably; and one of the most powerful arguments in the repeal campaign was the possibility of substituting liquor taxes for others that have proved more burdensome. Inflated hopes of liquor revenues must be abandoned if the liquor racketeers are to be put out of business.

From about 1907 to 1920 the tide ran powerfully in favor of prohibition; since 1925 it has been running, with increasing force, against it. But if the liquor problem should be mishandled in many States that tide might turn again. Many even of the liquor manufacturers have recognized this; it may be hoped that politicians will recognize it too. Otherwise they may be surprised, as many of them were in recent years, by a sudden and irresistible change in the temper of the nation. Even a politician must be preternaturally stupid if he does not learn a lesson from the rise and fall of the Anti-Saloon League.

# NRA Days in Washington

By E. FRANCIS BROWN

WASHINGTON has become the nerve centre of the nation. Though the political capital, it seldom before 1933 enjoyed the privilege of actually determining the destinies of America. That power had been lodged in the lower tip of the island of Manhattan. Now things are different. Decisions are made in Washington and the multitude of Mr. Roosevelt's countrymen who have descended upon the city on the Potomac are there for much more important reasons than sight-seeing.

The tourists are present, of course, even if their number is smaller than in happier times. This Autumn they can be seen on every hand, gaping at the great new government buildings that are arising along Pennsylvania Avenue, rushing through the long corridors of the Capitol, peering through the fence around the White House at Mrs. Roosevelt's blue roadster parked in the main drive. Periodically, guide books in hand, they tumble out of the cabs and buses which have carried them to the National Cathedral, to Arlington or to Mount Vernon. Over the dinner table in the evening they review the day's experiences and list the national monuments visited. The conversation lags, then shifts to the topic which in Washington, perhaps even more than in any other city, is uppermost in every mind—the NRA.

The magnet of the NRA and the other recovery measures has attracted thousands of men and women to the capital in this year of 1933. Foremost among them are the leaders of busi-

ness, whose mission in Washington is vital—to secure for trade a maximum of privilege in the new industrial government that is being established in America. Delegations arrive and depart. Night after night they crowd the lobbies and lounges of the leading hotels. Watch them as they sit talking and smoking in the lobby of the New Willard or the Raleigh or the Washington. These are no social theorists; these are pragmatic realists whose test for things social and economic is, How much are they worth? Possibly they are men of limited vision; yet their knowledge of their own particular sector of the economic front is great. Aggressive, tough-minded, sometimes uncouth and tactless, they possess a keenness where matters of business are concerned that one cannot help but admire.

In the morning the worshipers at the shrine of practical affairs reappear in the hotel lobbies. Soon, brief cases in hand, a newspaper under one arm, they head for hearings on codes of fair competition, and these are legion. It is surprising how the type of business representative varies with the industry. There are men whose features, whose bearing, carry the stamp of America's aristocracy; there are others whose speech betrays a foreign boyhood or the background of New York's East Side. Poise and urbanity are contrasted with uncouthness and a general unfamiliarity with the American way of life. Yet they must be lumped together, for these are truly the captains of industry.

Never since the war has there been such an opportunity to view American business in all its complex variety as is now afforded by the NRA and its codes. The big heavies were disposed of during the Summer and early Fall; now it is the turn for industries of whose existence most Americans are hardly aware. Perhaps it is knitted outerwear this morning—or academic costumes or gas appliances or excelsior products. But whatever the industry, hearings will be in progress in various government buildings or in the Palm Garden, the Rose Room or the Grand Ball Room of the larger hotels.

Drop in on one of these sessions. They are handled efficiently, despite a good-natured informality. Outwardly at least, capital and labor and the government appear to work together harmoniously. The representatives of industry sit on fragile, gilded chairs facing a dais on which, at a long table, are men from the Consumers Advisory Board, the Labor Advisory Board and the legal branch of the National Recovery Administration. A deputy administrator, young, vigorous, clean-cut, calls the meeting to order. The proposed code is dissected, clause by clause. If this is the first hearing the argument may be prolonged.

Labor comes forward to state its position on wages and hours of work. Much has been learned since the first code was accepted in July. No longer can the forty-hour week be countenanced; now it is thirty hours of work in a five-day week. The sweatshop and homework are denounced; a lone employer, to the startled amazement of his colleagues, applauds. Yes, there are liberals among business men. As labor's demands are unfolded, the industrialists smile skeptically or shake their heads dubiously. But on the surface all is amicable as the

smoke from cigars and cigarettes drifts toward the watching cupids on the ornate ceiling.

It is the industrialists' turn. They talk as though their economic lives were at stake. Perhaps they are. "Labor's demands are preposterous." There is debate on how best to meet the competition of rival industries, on trade practices, on the setting-up of a code authority. Suddenly the hearing is recessed, maybe to meet later for consideration of a revised code. Tomorrow another group will occupy the hearing room and the process will be repeated.

There are others in town at the behest of the NRA, some to appear before the National Labor Board in the colossal structure that houses the Department of Commerce and the National Recovery Administration. The epidemic of industrial troubles has permitted this agency little respite from weighing in the balance the recriminations of capital and labor. Heads of great corporations, accompanied by a retinue of counsel, oppose leaders of labor unions as the board attempts to mediate the class struggle.

If the sessions of the Labor Board are executive, the proceedings can be watched through the glass panels of the meeting-room door. In many ways the drama is more exciting because in pantomime. Senator Wagner is presiding. That Napoleonic-looking individual with the shock of hair is John L. Lewis. William Green is at the other end of the table. The man with the pipe is Leo Wolman. For the moment the rest of the board, except Father Haas, are missing. The employer is typical of his group—well-groomed, self-confident, rather impressive. The men of labor lack nothing in forcefulness or self-assurance; possibly they present their case with almost too



much vigor. Ill-fitting clothes, poor haircuts and faces scarred by years of toil emphasize the gulf that separates them from the man whose interests they are attacking.

To administer the NRA and the other recovery measures men and women have been gathered in Washington, forming a new brigade in the army of civil servants. They have been recruited from every walk of life—from finance and industry, from agriculture, from journalism and the law. Many exude enthusiasm for the New Deal and its underlying philosophy. Few among them would be willing to forego the exhilaration that arises from being instruments, however humble, in a historic process. Most of the new administrators—they are to be seen at code hearings as well as in their offices—are men, especially young men, for this is their hour in court. Probably most are in the late thirties or early forties; only the exception is over fifty. This youthfulness gives cause for hope; it might give more if the old-timers were not still in control of politics and business.

It is unnecessary to be deeply versed in the affairs of the capital to learn that these men of the New Deal are working too long and too hard. Perhaps one's host at dinner excuses himself to hurry away for a conference that begins at 9 in the evening and continues until weariness forces a halt. Assistants and advisers in the many agencies that have sprung up as part of the complex recovery machinery tell of their working-day which knows nothing of the Blue Eagle. At last one understands why the lights burn so late in the government offices. Old hands among the newspaper men intimate that some of the mistakes in the NRA have been made because decisions had to be reached when the fatigue of a fourteen or sixteen hour

day prevented clear thinking. Already men have begun to break under the strain and are slipping away to recuperate.

Though the recovery program receives the greatest attention from Washingtonians, there is energy left to follow the Senate exposures of the missteps and mistakes of the old days. Will these exposures make possible the rebuilding of a new social and economic structure? Or are they only muckraking? The sure answer must be delayed. Meanwhile, the probe into the affairs of Wall Street and of the nation's bankers goes ahead.

For weeks the princes of finance, somewhat tarnished in reputation maybe, have had to stand up to the rapid-fire questioning of Ferdinand Pecora in the marble caucus room of the Senate Office Building. Perhaps there are a hundred or two spectators listening to the examination; the amplifiers are somewhat inadequate, so that one has to strain one's ears to hear the questions and answers. For the most part the proceedings drag and are uniformly dull. Whoever is on the stand must constantly turn to his staff of accountants and advisers for information. Only occasionally is there a mild sensation, though the spectacle of a great financier being quizzed by a swarthy, cigar-smoking attorney is pleasantly shocking. The haze of tobacco smoke blankets the assembly. An observer whispers that most of the members of the Senate committee would like to call off the investigation, but dare not. Visitors drift in and out of the hearing. Press messengers rush copy to the operators of the telegraph which in the corridor outside is tapping the story to the country. Somehow, despite the prevailing dullness, there is an air of excitement in the room.

These are the spectacular aspects

of Washington today. But the quiet, steady operation of the governmental machinery goes on in department after department, whose work is a closed book to the tourist. What he knows about them is obtained from conversation with friends, with the ubiquitous taxi drivers or from his newspapers. It is from such contacts that one becomes acquainted with the various moods of the capital city.

Echoes of the battle of the patronage will be heard, for few departments have escaped the threat that they will be invaded by political job hunters.

There is talk of the control which is being extended by the R. F. C. over the railroads and the nation's banks. Will that bring us to State socialism?

And mixed up with the discussion of serious questions is the gossip about personalities; one soon discovers that the case of Raymond Moley has yet to be forgotten.

There is something greater which cannot be witnessed, which can only be felt—the influence of the President. At the capital one never forgets that he is the Chief Executive of the nation. His personality, his point of view seem to be ever-present. Stories about him inevitably crop up in conversation—his ability to cut through unnecessary red tape; his unorthodoxy; his breezy informality. Even a city that has seen administrations come and go, with the emphasis on "go," has yet to be disillusioned about Mr. Roosevelt. Some people may not like his works but they like him, perhaps because he is so human. Even the casual observer is pleased to see beer being unloaded at the White House. So far Washingtonians are still willing to give odds that the Roosevelt administration will reach its goal. And this is true despite the fact that the prevailing mood when all the gossip and discussion has died

away is one of skepticism. Perhaps it underlies the saying that "the Hoover administration made monkeys of the American people; now Roosevelt is giving them trees to climb."

Skepticism is mingled with pessimism, especially in regard to the NRA. Even the most hostile critics in Washington are prepared to admit that the Agricultural Adjustment Administration has done a better job than the NRA. True, the AAA has made mistakes, but they are not very great and the men in that quarter have their feet firmly on the ground. So runs the story.

But the NRA is different. In hostility to the industrial program two diverse groups are allied—the radical intellectuals and the business conservatives. Their attack is on basically different lines, and, of course, there is no idea of making common cause. If hostility were confined to this strange combination, members of the administration might find ground for considerable satisfaction, but dubiety exists in the minds of many realists whose allegiance is to neither philosophy.

It is hard for them to forget that the first industrial codes embodied serious faults which all but destroyed their effectiveness. Moreover, labor's interests—and labor was itself somewhat to blame—were not properly protected. Even if in later codes the consumer received consideration, a fact which made for codes that benefited every one, it is true that those who must buy in the nation's markets have until recently been almost forgotten. Furthermore, the NRA has been improperly coordinated with the rest of the recovery program—witness the growing spread between what the farmer receives for his products and what he pays for goods.

The spectre of fascism haunts Washington, also—at least such is the

belief of certain socially minded journalists and men in the administration. Why? Because the NRA codes strengthen industry through repeal of the anti-trust laws and the creation of coordinated industrial groups without setting up any adequate counterbalance. Instead of individual competing units within an industry, all units are grouped together under a single code authority. The potential power of such an organization is tremendous.

Labor, on the other hand, has gained nothing like commensurate power. The codes supposedly recognize collective bargaining; yet, have not the strikes that have been so prevalent broken out because the employers refused to carry the principle into practice? If labor cannot enjoy a privilege established by law, it can hardly expect to enjoy privileges which it seeks through the more usual labor weapons. Moreover, by its failure to abandon craft unionism in favor of industrial unionism, labor seems to have foregone its great opportunity to seize a position that can be held against the onslaught of monopoly capitalism.

Finally, the government at the moment seems to be controlling business; is not its control, however, of such a nature that business might suddenly turn and control the government? These are questions that are being asked in Washington. And many a man believes that if a movement should arise in America that menaced the stake of business leaders in the social order, a Fascist State might suddenly, unexpectedly, supplant the present democratic system. The talk is general, somewhat vague, for after all no one really knows what fascism is or can define it satisfactorily.

Skepticism, pessimism, yes, but there are optimistic notes also. The

middle-of-the-road progressive finds hope in the general belief that the President is ready, if necessary, to move far toward the Left in order to remake American society. For instance, the investigation of the Federal Trade Commission into the salaries paid to corporate executives is regarded as pointing toward the administration's willingness to penetrate further into the citadels of rugged individualism. Moreover, it is considered a healthy sign that from the start the recovery measures have been considered experimental. Seldom has the President declared: This is my policy. He has not been misled by the foolish consistency that traditionally is the bugbear of little minds and politicians. As a result he can abandon positions in favor of others that promise to be stronger. It means that the game is not up so long as there are tricks left in the hat. One of the members of the administration has declared that it is following John Dewey's principle of learning through doing. But is there time, Washingtonians ask, to learn that way? Nevertheless, such unorthodox methods of conducting a nation's affairs have a freshness that in itself may indicate the dawning of a new day.

And so at the capital one is torn between optimism and pessimism, between hope and fear, at the same time that one is impressed by what is being done. Too heavy discussion, too much thought about serious problems makes an evening of dancing at the Russian Troika or some other Washington club a welcome diversion. Even congenial fellowship over the bootleg rye that flows so freely in the capital may not be amiss. After such an evening one sleeps well and awakes refreshed to learn that during the night the Republic has not fallen.

# As the Farmer Sees It

By SAMUEL LUBELL AND WALTER D. EVERETT

[The authors of the following article spent most of the Summer in the farm regions of the United States, studying the popular response to the working of the Agricultural Adjustment Act.]

THE angry chorus of voices rising out of the Midwest has struck at the heart of the New Deal. The restoration of industrial prosperity upon a sound rural economy, the basic aim of the recovery program, can hardly be reconciled with a "plundered" farmer who believes his throat is "being cut from both ears." What has the Agricultural Adjustment Act accomplished? Have its results been so meager as to justify the farm strike? If not, how account for the widespread conviction among farmers that the NRA has brought about a growing disparity between their incomes and the costs of the things they buy?

A comparison of the benefits that the New Deal has brought the city man and the farmer will not find the latter on the short end. Nor should any statistician have difficulty in proving that the gross farm income has been increased measurably over a year ago. But the farm strike cannot be explained through the adding machine or by economic formulas. Essentially it is human nature in revolt—one is tempted to add—against agricultural planning in terms of supply and demand.

The bridging of the gap between the farmer and the city slicker by means of a processing tax and a guaranteed domestic market is as ambitious an undertaking as the Soviet attempt at the collectivization of agriculture.

More than mere price manipulation, parity implies a shift in the seat of political, economic and social power—from the industrial East, where it has been lodged since the Civil War, to the Midwest. Not only must the money-changers be driven from the temple, but the temple itself must be removed to a purer and more decentralized location. To appreciate the difficulties in the way of such an achievement, one should imagine a tight-rope walker trying to keep his balance with the audience hooting and clamoring, with stagehands in both wings pulling at the rope, and with boys in the gallery tremendously busy with their peashooters.

The first of the basic agricultural commodities to be blessed was cotton. The necessity of pushing the program through before the arrival of picking time prevented elaborate preparations. The Pied Piper could but jingle the barrel top. For a time it seemed that the rattlings of twelve-cent cotton would drown out the government's jinglings. Only an extension of the campaign, a patriotic appeal by President Roosevelt and a slight break in the cotton market brought about the removal of 10,000,000 acres from cotton production.

Estimates of their past production submitted by cotton planters revealed that they were laboring under an extreme superiority complex. In many cases their figures were 250 per cent above the government's statistics. Farmers serving on county committees turned in excellent yields per



acre. Of course they were the better farmers. But as one planter remarked, "We never thought they were that good."

When the mules were unhitched, after having trampled under one-fourth of the bursting bolls, statisticians discovered that, despite the destruction, a normal crop would be picked. Increased cotton plantings to have more to plow under, intensive cultivation and good weather conditions had offset the reduction. For practical purposes the government had subsidized the farmer to the tune of more than \$110,000,000.

The announcement of the plan for buying 5,000,000 hogs—4,000,000 pigs weighing between 25 and 100 pounds, and 1,000,000 sows—was not welcomed by all farmers. There were innumerable protests against "wastefulness." Nebraska farmers complained that the program would help the feed-deficient areas more than the Corn Belt where feed was plentiful. A number of farmers were inclined to keep their pigs and fatten them in the hope of profiting from the higher prices that were to come from the program. In general, however, farmers betrayed no hesitation in swamping the packers with pigs. But the sows stayed at home. Only 220,000 appeared. To make up the difference the government increased its purchase of pigs to 6,200,000. About 80 per cent of these pigs, particularly those from distressed areas, were unfit for practical processing. The withholding of the sows could be interpreted only as a forecast of a fairly normal farrowing. Once again the government had paid out money, about \$31,000,000, and had not received what it bargained for.

But both the cotton and hog-buying programs were emergency expedients.

Farmers could hardly be expected to embrace with enthusiasm destructive practices so completely foreign to their two-blades-of-grass philosophy. At best the program could only check increases in production and prevent further demoralization of prices.

Unfortunately farmers had been led to expect immediate price rises. When prices did not rise—certainly, in part, because of the self-defeating reception accorded the programs—farmers were quick to complain that the measures had failed and to demand stronger medicine—price-fixing and inflation. Farmers were all the more ready to protest because they had never sympathized with any part of the program save the cash subsidy.

This lack of sympathy was reflected more clearly in the farmers' reactions to the wheat program. The primary interest of M. L. Wilson, the wheat administrator, was not in meeting an emergency but in evolving a national land-use program. The allotment scheme, although dear to his heart, was "only a Model-T compared to what might come out of it." Wilson frankly feared for the success of the program "unless the farmer adjusted his thinking." The farmer had to face certain realities. The export market is gone. The United States is a creditor nation. Overproduction exists. The farmer has to learn to think of his difficulties as national, not personal problems. The fatalistic belief that nature cannot be curbed by human effort must give way to the realization of the need of controlled production. For the great task of "educating" a million-odd wheat growers Wilson would have liked "at least a year." He had to content himself with four months.

A tremendous campaign of "education"—one that would have done credit

to Mark Hanna—was launched. With the agriculture extension service, the greatest propaganda machine in the country, taking the lead, every possible facility was utilized. Newspapers, press associations, farm journals, county weeklies, and national periodicals participated. From Washington came a steady stream of educational matter in the form of news stories to be adapted for local papers, film strips, posters, primers, circulars, cartoon graphs, charts and radio broadcasts. This material was supplemented by local campaigns, public meetings and extensive field work. More than 30,000 extension workers, county and home demonstration agents and emergency assistants cooperated in teaching the farmers their three "A's."

Until late August most of the educational matter was designed to induce the farmers to attend wheat meetings favorably disposed to the plan. These meetings were to be the climax of the campaign. At them, the entire story of the vanishing foreign market, of the necessity for controlled production and of the actual operation of the allotment program was to be taken up in detail, and all questions answered. It was hoped that each farmer would leave the meeting with a practical knowledge of the plan, a realization of its advantages to him personally and inspired by its potentialities.

About four-fifths of the wheat growers in the country have signed acreage reduction contracts. The immediate cash bonus was the reason for their signing on the dotted line. The principles underlying the plan have not been accepted generally. Nor is faith in the successful operation of the program common to most of the growers. There are exceptions, of course, for enlightened farmers exist,

just as there are enlightened business men, but the influence of the few who see clearly the realities of the existing situation is slight. Even these few are not united on ways to overcome present difficulties.

With the great majority of wheat farmers it is the old story of licking off the frosting. Long accustomed to thinking in terms of famine and plenty, in fighting "plutocratic control of prices," they found the Adjustment Act too deeply colored with supply and demand and production control. Four months of intensive propaganda accomplished little with a stiff-necked people.

The heart of the wheat allotment program is production control. "The shadow of excess" was the theme most persistently stressed in the propaganda campaign. But farmers refused to accept the idea of "overproduction." They would agree that our export market is gone and that it is unlikely to be recovered for several years. Some of them could see the need of a vague form of control in the distant future. The method usually suggested was to prevent new lands from being broken out in wheat. But almost without exception the farmers we spoke to could not "see surplus food with so much need." In their opinion a better explanation of the "surplus" was underconsumption. The root of all evil lay in faulty distribution, resulting in low prices, unemployment and financial difficulties. Not only did farmers refuse to admit the need for production control, but they entertained no faith in it as a cure-all. Unable to predict in advance whether their next harvest would reap a bumper crop or be lost in drought, they saw no sound base for calculating how much of their acreage should be devoted to wheat. Their re-

spect for nature's vagaries and distrust of their fellow-farmers was too great for them to believe that human efforts could curb nature over a period of years. The destructiveness of the emergency hog and cotton programs had not increased their confidence in government control.

Nor was the processing tax looked upon as a workable device. Farmers feared shifts in diet. Furthermore, could the processing tax equalize the difference between the price of the things that the farmer buys and the price of what he sells? Confronted with that question, without exception, farmers, schooled in the ways of taxpayers, shook their heads.

Price-fixing, not in terms of supply and demand, but to equalize the unfair advantages enjoyed by capitalists and industrialists and to check speculators was the favored solution. For justification of their demands farmers ridiculed the law of supply and demand, insisting that prices were fixed by monopolistic methods.

A hog-producer in Nebraska expressed the typical view: "The packers always buy the hogs we take to the market. One day they give us more, another less; but they'll always buy everything we bring in. Now those fellows, they don't set the price by figuring supply and demand. What they do is sit around a table each morning and decide 'we'll pay so much.' The government ought to fix prices instead of those packers."

The rise in prices as a result of the NRA is further evidence, to the farmer, of the artificial character of our price and financial structure. As the cost of the articles he purchases rises faster than the price of farm products, the farmer is quick to suspect that the NRA, in suspending the anti-trust laws, has freed the monopolists from

all semblance of control. As an antidote he becomes more insistent upon a monopoly price—fixed by the government—for his products.

The same preoccupation with monopoly control is reflected in the popular demand for inflation. The usual explanation that "easy money" is sought as relief from debts and mortgages is a bit too simple. Many farmers who are not troubled by debts—there are some who fit that description—are equally persistent in their demands for an "honest dollar," for "devaluing the gold content" or for "free coinage of silver." One of the main reasons farmers favor inflation is because it is so consistently and strenuously opposed by industrialists and financiers. Like Grover Cleveland, it is loved for the enemies it has made.

The educational campaign, technical difficulties and administrative problems delayed the wheat program. Farmers who had been promised in early July that allotment checks would be sent out in September were forced to wait an additional six or eight weeks. In the meantime prices had been fluctuating violently. The irregularity of the recovery and the collapse of the speculative boom in July had created an unhealthy atmosphere. The protests of little storekeepers against the NRA, labor trouble in the East, the steady "wolf! wolf!" of rising prices, drought and government propaganda stirred farm unrest. The Agricultural Adjustment Act instead of smoothing out the rough spots actually seemed to be rocking the boat.

The method of handling the act—one basic commodity after another—had the effect of placing different groups temporarily at a disadvantage. The entire process bore too much re-

semblance to plugging a boat that leaked like a sieve. Farmers were made the unwilling witnesses to an act, whose avowed purpose was to restore balance to agriculture and industry, actually producing disparity on all sides and seeking to check one disparity with another. The situation was all the more serious because none doubted the administration's sincerity. Farmers were confronted with the prospect of watching parity slip from their grasp for unaccountable reasons. The promise of parity, the recognition that it implied, was too valuable to be given up without a struggle. The farmers protested. They are voicing their resentment against twelve years of disparity. They are determined that their "charter of economic equality" shall not be lost without a struggle.

The farm revolt, at this writing, has already borne fruit in the President's gold-buying plan and in the preparation of price-fixing schemes by the Department of Agriculture. The danger to the New Deal raised by the farmers' protest, however, has not been diminished. The great obstacle to the smooth operation of the Agriculture Adjustment Act in past months has been the failure on the part of the farmers to cooperate whole-heartedly.

That failure was due chiefly to "incompatibility. The philosophy of the new deal is collectivistic. Farmers are actually more individualistic now than ever before. In meeting the depres-

sion they have turned back to doing as "we did in Ninety-three." Greater self-sufficiency has become their aim. Farmers are raising more of their own food and placing less reliance upon cash incomes. Simpler methods of farming have taken the place of the specialized techniques of the Nineteen Twenties. Tractors are lying idle while horses, mules and farmhands, often working on a barter basis, are toiling in the fields. Social life has become decentralized.

The depression has not inclined the farmer to forsake his traditional habits of thought, his old ways of living for something new. Rather it has turned the clock back in many farmhouses. Farmers feel that one of the chief reasons for their sorry plight is that they were too prone to flock to the city in the past. For the future of the American farm they are looking not to collectivistic action but to the training of better farmers—better according to pioneer standards.

Farmers are thinking of their troubles in habitual terms; the agricultural administrators are steeped in the economics of a new day. Until those differences are reconciled the half-hearted support of the farmer will defeat the administration's efforts. Until the farmer and the government see eye to eye it is idle to issue warnings against putting the cart before the horse. The real danger is in having two horses pulling in opposite directions.



# The Rearming of Germany

By SHEPARD STONE

[Dr. Stone, whose knowledge of Germany is based on several years' study in that and neighboring countries has just returned to America after revisiting them.]

EVERYWHERE the belief persists that Germany is preparing for war. What else, it is asked, can be the purpose of the Nazis' deliberate stirring up of nationalistic sentiment, of their numerous military demonstrations and of the intensity with which they are fomenting the martial spirit of the nation? It is not only the peoples of other countries, especially those bordering on Germany, that tremble at this new threat of war; among the statesmen of the great powers suspicion and anxiety have brought about definite changes of attitude as well as of policy.

That is why, on Sept. 23, Great Britain, France and the United States came to an understanding to oppose German rearmament, and why, on Oct. 6, Stanley Baldwin, on behalf of the British Government, dissipated all doubts regarding British support of France against the Nazi demands for increased military strength. The three major powers obviously believe that a rearmed Germany would provoke the nations that fear her designs to pile up more and more armaments and that the outcome would once again be war. That is why, also, these powers decided that some form of control over German armaments is necessary during a period of probation. Great Britain and the United States have most probably been made acquainted with the famous secret dossier which the French Government has threat-

ened to publish as evidence of German military preparations.

The countries on Germany's borders whose existence depends on the integrity of the treaties signed in 1919, and who understand only too well the depth of German feeling against those treaties, are firmly convinced that only Germany's military weakness can guarantee the present system in Europe. Until recently these nations have seen no danger in Germany's armaments, but with the advent of the Nazi régime the question whether Germany is rearming has become one of life and death to them.

No authoritative material has been published on the German arms situation. Stringent laws in the Reich and the Nazi secret police prevent opponents of the government from making indiscreet disclosures. But even fanatic Nazis hesitate to assert that the official figures in the League of Nations Armaments Year Book constitute an exhaustive description of the German military system. Germany has indeed followed a course which most other countries would probably have taken.

According to the German Government, the Reich has faithfully observed the limitations imposed on it. The Treaty of Versailles allows Germany an army and navy with a personnel of not more than 100,000 officers and men, but no air force, either military or naval. The armed forces are under the Minister of National Defense, but without a general staff. The territory of the Reich is divided

into seven military areas corresponding to the seven infantry divisions. The army has command of nine fortresses, eight of which are dismantled. Only one, Koenigsberg, is authorized to have artillery (38 guns, including 16 anti-aircraft guns) with a limited amount of ammunition. The territory west of the Rhine and a zone, 31 miles wide, east of the river have been demilitarized. In that zone Germany is not permitted to have any fortifications, to keep armed forces, to hold military manoeuvres or to maintain material facilities for mobilization. The quantity of arms and munitions is prescribed by the treaty, and it is forbidden to establish other stocks, depots or reserves of munitions. Tanks, submarines and big guns are also prohibited. Warships for replacement purposes are limited to 10,000 tons.

Furthermore, the treaty abolished universal military service in Germany. All members of the armed forces must be volunteers and enlist for twelve years. Apart from the four army schools at Dresden, Hanover, Jueterbog and Munich, all military schools for officers and all military training of youths are prohibited, as is collaboration between the military authorities and the universities and schools. All educational institutions, societies of discharged soldiers, shooting and touring clubs and other associations of any kind, whatever the age of the members, must not concern themselves with military matters and are particularly forbidden to instruct or exercise any one in the profession or use of arms.

Impartial observers are agreed that Germany has not lived up to these drastic stipulations and that her military strength is already potentially far greater than is supposed. The ob-

jection of the German Government to control of its armaments is regarded by many as an indication of secret preparations which have been made behind the screen of official figures and statements. The official budget estimates for 1932-1933 provided for an expenditure of 678,200,000 marks (\$161,547,240 at par) for the military and naval forces. This does not include appropriations which may have been concealed elsewhere in the budget, but in any case it is a large sum for such a small army. Expenditures on war material in 1931 amounted to £6,000,000 as against the £4,000,000 for the British Army which is 50 per cent larger. That amount was nearly 60 per cent of what was required in 1913 when the German Army was five times larger. Allowing for the purchasing value of money, German expenditure on war material per soldier amounted to at least three times as much as it did before the war. This is a curious fact when it is remembered that the present German Army does not possess or maintain such expensive weapons as tanks and heavy guns.

Although Chancellor Hitler has compared his Storm Troopers to harmless firemen, those who have seen these men going about their duties are frankly skeptical. It is true that they cannot be compared for military purposes with the professional soldiers of the Reichswehr who serve for twelve years; nevertheless their organization and activities violate Article 177 of the Versailles treaty. The whole system that includes the S. A. (Storm Troopers) and the S. S. (Leaders Escort Troops) is essentially military, and it is significant that these forces are distributed in seven areas corresponding to the seven territorial divisions of the

Reichswehr. In an interview published in the German newspapers in October, Captain Roehm, their commander, stated that they numbered 2,000,000. The smallest S. A. unit consists of about 175 men, and in the opinion of many observers the members of the Reichswehr are trained as officers so as to take command whenever necessary of these units. S. A. and S. S. men are instructed by officers in the Reichswehr, while many former officers of the German Imperial Army and the post-war Reichswehr are now in the S. A. and S. S. At present about 8,000 men every year complete their period of service in the Reichswehr and become available as additions to the Nazi forces.

The S. A. and S. S. are divided into motorcycle corps, sanitary corps, bicycle corps, sport-aviation corps and many other groups and divisions. They engage in weekly training in machine-gun shooting, rifle practice, tactics, marching and other military exercises. The great Hitler demonstrations in Nuremberg in September and in various parts of Germany throughout the Summer and early Autumn fulfilled military as well as political purposes. The formations and the marching, planned with an eye to the necessities of mobilization, revealed the organizing abilities of military experts. Since the Nazis have come into power, the military value of the S. A. and S. S. has continuously increased because of the added resources placed at their disposal. In case of war, Germany could probably put in the field within six weeks at least 1,000,000 men who have had a good measure of military discipline and training in military fundamentals.

At the beginning of Autumn, 257,000 men were employed in the Voluntary Labor Service. This "volun-

tary service" is rapidly being made obligatory. All male "Aryan" students entering German universities are to spend the first twenty-six weeks in labor camps; and non-students forty weeks. Apart from the social, economic and political motives, the purpose of the Voluntary Labor Service is to provide preparatory military training. The discipline is military, and military sports are part of the daily routine. In the future probably no one will be able to become a Storm Trooper without first having gone through the Labor Service. The intention of the government is to make this service eventually compulsory for all German males.

Captain Roehm, the commander of the S. A. and S. S., organized the S. A. at its inception in 1921 when it received secret support from the German War Ministry. Through him the threads have been spun which have knit Reichswehr and S. A. together. In 1928, he left Germany and helped organize the Bolivian Army. In October, 1930, he returned to resume command of the S. A. and today his place in the Nazi scheme of things is second in importance only to Hitler's. Captain Roehm and the generals at the head of the Reichswehr have undoubtedly laid their plans for combining their forces in case of need. The Nazi Party also has its Military-Political Bureau, under former officers of the German Army, with headquarters in both Munich and Berlin. On May 15, 1933, Colonel Friedrich Haselmayr, in charge of the Berlin headquarters, wrote: "Since the other powers have failed to disarm, Germany must finally begin to establish her own security independently." Since those words were written, it has become increasingly evident that Germany has continued with added mo-

mentum to build the framework of a huge military structure.

But men alone cannot carry on a war in this era of mechanization, and so we find that Germany believes herself forced to manufacture and store up immense quantities of weapons and other war material. The German people, who have long been foremost in the military arts, have been making every effort to keep step with developments in other countries, and since the World War German engineers and technicians have carried on their researches and experiments. Although Germany is prohibited from having a general staff, it is not unreasonable to surmise that since 1919 German generals have been meeting at social and other gatherings and discussing military plans, while special commissions of experts have been continuing their studies in the fields of ballistics, infantry, artillery and aeronautics. That all these activities have been coordinated is no less likely.

The seven years' experience of the Inter-Allied Military Control Commission in Germany after the war has shown that the full and precise control of a nation's armaments is impossible. The existence of fortifications or warships is easily detected, but what of the hundreds of plants that can manufacture chemicals, steel, machines, electrical apparatus and airplanes? Rifles, for example, can be produced by making the barrels in one plant in the Ruhr, the stocks in another in Saxony and assembling the parts in a third in Berlin. Yet, the accumulation of war material in violation of treaty stipulations has not been entirely carried on in secret. German Army orders during the Summer of 1933 announced, for example, a reorganization of the infantry under which each company would include nine light machine-gun

sections instead of six. This overstepped treaty limits. And from published information it is known that the Rheinmetall Factory of Duesseldorf has been producing for foreign markets types of arms which Germany is legally debarred from manufacturing or using. Who knows how much of this production listed in the export statistics did not leave Germany?

In spite of the many opportunities which the diversified German industrial mechanism offers the Ministry of Defense, it is doubtful if the Reich has been secretly constructing submarines or warships forbidden to her, because of the difficulty of so doing. Nor is it probable that there are many large calibre cannon beyond those allowed to Germany. Even French diplomatic circles in Berlin are convinced that Germany has been unable to conceal such weapons.

Tanks, which Germany is forbidden to have, are also too large and cumbersome to hide. Nevertheless, foreign observers in Germany have noted that the production of caterpillar tractors for agricultural purposes has increased simultaneously with the making of armor plate by steel mills. At military manoeuvres caterpillar tractors have been manned by motor transport corps. Although Germany could probably put improvised tanks into the field, it is fairly certain that she could build large numbers of tanks, comparable to those of France and Great Britain, only in the full light of publicity.

Although the Treaty of Versailles attempted to destroy German power in the air, the development of German commercial aviation has given rise to skepticism about the success of the effort. Most German commercial planes are constructed so as to be



transformed into war planes without delay. For many planes only the addition of bomb racks and machine guns would be necessary. In 1929 Germany had about 750 civil airplanes, and that number has since been largely increased. The Deutsche Lufthansa, the great German commercial aviation company, is controlled by the government and State subsidies to aviation firms have been on a liberal scale. The high standard of German airplane production is known to the world through the names of Junkers, Dornier, Rohrbach and Heinckel.

Since General Goering has become Minister of Aviation every effort has been made to unify efforts in this field. He has given enormous support to "sport-aviation" and glider clubs, which have been coordinated under a single organization. After the supposed air raid over Berlin last Spring, when Communist pamphlets, which no one has ever seen, fell on the streets of the capital, the Siemens factory in Berlin received an order to build 150 airplanes. It is believed that similar orders have been placed with other firms during the past six months. To pilot these machines there are available the men trained in handling gliders, sport aviation and commercial planes.

Simultaneously with the growth of Germany's air forces, the whole nation is being prepared for air-attacks and aroused to the necessity of possessing airplanes. Placards posted all over Berlin command citizens to take part in the elaborate defense preparations which are being made in each house and district of the city and they are also urged to attend the weekly lectures that are being given on the subject. General Goering has gone about his work with great enthusiasm and a comprehensive knowledge of the

psychological factors involved in teaching the people to become "air-minded." At the same time at military manoeuvres, anti-aircraft guns and anti-tank guns have been seen, complete in every detail, including the sights, except that they were fitted with wooden barrels, for which the real barrels could be easily substituted.

Although statements in French papers regarding German armaments must be accepted with great caution, the German Government made no denial when the *Journal* of Paris, on July 26, 1933, printed a partial list of German factories producing armaments. The list included the steel mills of the Dortmunder Union and the Deutsche Werke at Spandau (a suburb of Berlin), producers of munitions; the Linke-Hoffmann railroad coach factory at Breslau and the Daimler-Benz automobile factory at Offenbach, makers of tanks; the Polte iron foundry at Magdeburg and the Deutsche Waffen-und-Munitions-fabrik of Berlin and Karlsruhe, manufacturers of revolvers, rifles and other small arms; and Simson's rifle factory at Suhl in Thuringia, makers of cannon.

Treaty stipulations have been unable to destroy German genius in the chemical industries. Today Germany is the world's greatest producer of chemicals and most factories, including the world-famous I. G. Farben-industrie, would find no difficulty in immediately directing their output to war purposes. Gases and chemicals are light and are compactly stored. Their concealment offers none of the difficulties of warships and tanks. According to the *Neue Weltbuehne*, a liberal German weekly conducted by exiles in Prague, the Von Heyden chemical factory in Dresden, which

makes saccharin and inorganic muci-lage, can also produce a light invisible gas hitherto unknown; the Billwarder establishment in Hamburg can without delay turn from making chromoxyd to deadly arsenic gases, and the Schering-Kahlbaum factory in Berlin, now managed by Gregor Strasser, one of Hitler's earliest associates, can make a poison gas on a chlorine, boron and cyanide base. The recent invitation to the foreign correspondents in Berlin to visit this factory and see for themselves that it was engaged in peaceful production does not prove that the factory could not immediately make poisonous gases. Again, the Stolzenberg firm of Hamburg has published advertisements in various Spanish and Spanish-American military journals revealing the fact that it specializes in chemical warfare.

The potentialities of German industry for war purposes have been emphasized by Chancellor Hitler's appointment of Fritz Thyssen, the steel and coal magnate, as supreme authority over the industrial system of Western Germany, the centre of German productive capacity. Werner Daitz, one of the chief Nazi economic experts, in conversation with the present writer during the Summer, said that German economic policy was dictated by the desire to attain economic self-sufficiency in case of war, and that all other considerations were secondary. German agriculture is being rapidly put into a position to supply the basic needs of the Reich regardless of foreign imports even though this advantage involves the raising of prices for the domestic consumers far above the world level.

In line with this idea of economic self-sufficiency and military preparedness, the great increase in 1933 as compared with 1932 in the importa-

tion of ores, copper, iron and scrap iron from Belgium, Holland and Sweden becomes illuminating. German imports of iron rose from 35,409 tons in the first quarter of 1932 to 208,802 tons in the corresponding period of 1933.

The production of war material for German use is not confined to the Reich. Factories outside Germany are alleged to be supplying Germany with forbidden armaments or producing materials and for the time being storing them away until needed. Among these firms are the Dornier branch factories in Italy and Switzerland, factories in Sweden connected with Krupp, the Siderius Corporation and the Dutch Cartridge and Rifle Works in Holland and the Solothurn arms factory in Switzerland. Russia has also been accused of allowing Germans to manufacture arms within her borders, but the latest developments in German-Russian relations make it unlikely that the Soviet authorities will continue the arrangement.

Over and beyond the physical and material aspects of German rearmament, there is the all-important psychological factor. The occasional speeches in which Chancellor Hitler and his associates protest Germany's love for peace cannot conceal the fact that every effort is being directed toward rousing the martial spirit of the nation. Millions of young Germans, from six years up, are being inculcated with the idea of heroically living and dying for the glory of the Fatherland. Organized in the Hitler Youth, they begin to march and wear uniforms before their unformed minds are aware of what it all means. Schools spread propaganda and young Germany in its spare hours has duties to fulfill toward the State, including training in elementary forms of hand-

grenade throwing and shooting. Although the famous little book by Professor Banse of the Brunswick Technical University for teachers and children on military science (*Wehrwissenschaft*) has been recently prohibited as a result of foreign criticism, the measures which he advocates are being taught everywhere in Germany. In the introduction to his book, he declares: "For nobody should be in doubt that war stands between our prevailing need and coming fortune" and he suggests for children of twelve years upward "two hours weekly devoted to exercises, field work, war games and later small calibre musketry in which the feeling of youth for the heroic and for robber and soldier games would be applied to the service of the Fatherland." Professors of military science have been appointed in all German universities. The catalogue of the University of Berlin announces that seven lectures on military science will be delivered during the current Winter semester.

Robust and martial expression is cultivated in every direction. German newspapers and magazines have a predilection for military metaphors and similes. The weekly news reels shown in the motion-picture theatres are almost exclusively devoted to S. A., S. S. and Reichswehr parades, the American fleet at target practice and Herr Hitler and Dr. Goebbels. In Berlin there is a parade practically every

day. The uniform as well as the swastika has become the symbol of present-day Germany.

In a speech to the industrialists of Western Germany on Jan. 27, 1932, a year before he became Chancellor, Hitler said: "It is entirely inconsequential if Germany possesses an army of 100,000 or 200,000 or 300,000 men; important alone is the fact if Germany possesses 8,000,000 reserves which \* \* \* it can transfer into the army." And in the original of his book, *Mein Kampf* ("My Battle") Hitler formulated his "political testament" in the following words: "Never tolerate the rise of two Continental powers in Europe. Regard every attempt to organize a second military power on German frontier \* \* \* as an attack on Germany and see therein not only the right, but also the duty, to prevent the rise of such a State with all means, even the application of military force; accordingly, if such a State already exists, it must be smashed to pieces. \* \* \* Never forget that the most sacred right in this world is the right to possess soil which one may cultivate one's self and that the most sacred sacrifice is the blood which one spills for that soil."

Today the German Government does not want war. It is not prepared. But the "testament" of the Leader is not reassuring. Germany, especially young Germany, is marching. The question remains—Where?

# The Nazi Threat to Eastern Europe

By ROBERT MACHRAY

[Mr. Machray has for many years been a close student and observer of affairs in the Baltic nations and countries of Eastern Europe. His *Poland 1914-1931* was published recently.]

CHANCELLOR HITLER'S program of political, racial and economic imperialism turns all the frontiers of Germany into danger zones for her neighbors, but it is still the "Eastern frontiers" that constitute Europe's greatest menace, one that may quickly become acute. It may be urged that the situation in the east, meaning thereby the antagonism between Germany and Poland, has existed for some years, and that, as nothing much has happened, it is an exaggeration to speak of danger being more immediate in that quarter than elsewhere. But today the controversy over the eastern frontiers has been enlarged by the inclusion of Czechoslovakia which is threatened not only indirectly through Nazi ambitions in Austria, but directly through Pan-German propaganda. The same propaganda also reaches out to cover the Baltic States, and already has had the most marked influence on the policy of Soviet Russia. No longer is the situation what it was even a year ago.

It may be well to clear the way for the main theme of this article by emphasizing the changed attitude of Soviet Russia toward Germany. During 1932 the Moscow Government signed a series of non-aggression treaties with the Baltic States and Poland. The general explanation for the accommodating and conciliatory terms offered by the Soviet Union, in

contrast to the terms of other non-aggression treaties proposed earlier, was the pressure of Japanese expansion in Eastern Asia. Another sound reason was to be found in the conditions prevailing in great areas of Russia because of the incomplete success of the Five-Year Plan. These reasons held good throughout the Winter of 1932-1933, but they do not explain the hot haste with which the Soviet Government concluded a second series of non-aggression treaties during the past Summer not only with the border States but with others, such as Czechoslovakia, which are not immediate neighbors of the Union. It was noteworthy, too, that the Soviet Union relinquished its long-asserted claim to Bessarabia by signing a non-aggression treaty with Rumania.

The real explanation is not far to seek. Hitler and his gospel of German expansion, notably by "colonization," as expounded by some of his ablest lieutenants, had induced the Soviet Union to reorient its policy hurriedly. Fear of German aggression had caused the casting aside of the Rapallo and Berlin treaties, which had created such great concern in the past among some of the nations, especially Poland.

In brief, the Soviet Union lined up with the other Eastern European States against Germany. Such a sweeping reversal of policy was startling, since it meant nothing less than an entire change in the high politics of Europe. In the December, 1932, issue of this magazine there was published an article entitled "Eu-



rope's Anti-Soviet Barrier" which was the outcome of a tour I had made of the Eastern Baltic and Poland two or three months previously. It showed that this barrier was formed by the border States, from the Baltic to the Black Sea—Finland, Estonia, Latvia, Poland and Rumania, not indeed united in a defensive alliance, but animated by a common understanding that risk was reduced by wary watching. There had always been the possibility of a combination of the Soviet Union and Germany against Poland. Now with this profound alteration in Soviet policy that likelihood disappeared, and the "Anti-Soviet barrier" is down. The initiative came from Russia, was welcomed by the others, and, under the menace of Hitlerism, was acted on without delay.

So much was plain. What were the reactions to Hitlerism of the States actually forming the frontier with Germany on the east? What was the outlook? The desire to probe more deeply into this and other relevant matters, such as the Four-Power Pact, led me to undertake a tour of Central Europe in the late Summer and Autumn. It began in the Baltic with Danzig, carried me south to the Danube, and brought me back again, but by a different route, to the Baltic. A long stay in Germany was not necessary; any one who spends an hour in Berlin or any other large German centre can see what Hitlerism is and what it connotes. There is absolutely no attempt even to conceal the German militaristic ideals and aims and the desire for their fulfillment in the nearest



The Frontiers of Eastern Europe.

possible future. There was no concealment even in Danzig. Though in international law still a Free City under the League of Nations, it is now a Nazi stronghold. My tour convinced me of one thing at least—that the question of the Eastern frontiers is more acute than ever before. Soviet action completely confirms that impression.

Till recently the term "Eastern frontiers" was used to describe the frontier between Germany and Poland which extended from the Baltic, on the west side of the Corridor, southward to the point where Polish Silesia adjoins Czechoslovak Silesia on the summit of the Western Beskid range of the Carpathians. The line of frontier is, in round figures, about 800 miles long, and for nearly its entire extent is what soldiers term "open." In addition the frontiers of East Prussia, which are about 375 miles long, cannot be left out of military estimates of the general position. On the Polish side the frontier provinces were, except for a small portion of

former Austrian Silesia, in German possession in 1918. For some years German demands, particularly through propaganda, concentrated, as everybody knows, on the reannexation of the Polish province Pomorze—the Corridor. Hitlerism, not content with that, has revived all the old Pan-German claims to dominion not only over what was German Poland but over the Baltic too.

Pan-Germanism now also threatens Czechoslovakia, rather more than one-fifth of whose total population of 15,000,000 is German by race, though born in the country. Most of them are found immediately inside the frontiers on the northwest, west and southwest adjoining Prussia, Saxony and Bavaria. The Czechoslovak provinces, except for a portion of Silesia that was German, formed part of the Austrian Empire till late in 1918. This line of frontier is nearly 800 miles long and, while not exactly "open," could not be easily defended. Certainly its defense would scarcely be assisted by the Germans in Czechoslovakia, as many of them, especially in certain districts, are known to sympathize with Hitler.

At this writing the Nazis' plans for the annexation of Austria have failed, but should they ultimately succeed the result would be the extension of the German-Czechoslovak frontier by more than 300 miles. Further, the hostility of Hungary to Czechoslovakia cannot be considered negligible in this connection. The remaining frontiers of Czechoslovakia march with those of Poland and Rumania, but Rumania is her ally and her relations with Poland tend to become more and more friendly.

No city or town of any considerable size stands on or very close to the long line of the Eastern frontiers, but

not far from the top are two ports which may be said to cast their shadow over it. One is Gdynia, practically brand-new, and the other is Danzig, with hundreds of years of history behind it. Gdynia represents an immense, sustained and highly successful effort on the part of Poland to construct, equip and operate a great port on her short strip of sea coast. Today the flags of most maritime nations may be seen in the harbor, around which has sprung up, with American rapidity, a town of 40,000 inhabitants who, of course, are almost exclusively Polish. Some twelve miles east lies the beautiful old Hanseatic city of Danzig, with its fine position at the mouth of the Vistula and its long tradition of trade and commerce.

The makers of the Treaty of Versailles were inspired by the idea that Danzig would revert to the independent status it had held, even during the Polish protectorate, throughout the Middle Ages and up to the time when, much against its will, it was "absorbed" by Prussia. Unfortunately for their plans, it had become so thoroughly Germanized that in 1919 there was no shadow of doubt of its being German. In 1933, with the Hitlerites in control, Danzig is passionately German. Outside it Germans as passionately demand its return to Germany in full sovereignty. They identify it with the whole question of the Corridor, which, in fact, they call the *Danziger Korridor*.

Politics apart, the existence of Danzig, like that of Gdynia, depends on Polish trade and commerce. Of old Danzig was a great port simply because it was the port of Poland; its decline after the partitions resulted from the Prussian preference for Koenigsberg and Stettin. After the resurrection of the Polish State, the

city again became prominent as a port, and for a few years the volume of its shipping was four times larger than it had been immediately before the World War. For all that, the Danzigers did their utmost to antagonize the Poles—which was one of the reasons for the building of Gdynia.

The Danzigers scoffed and sneered at that undertaking, and their bitterness of soul may be imagined now when the shipping of Gdynia surpasses their own. Two or three years ago attempts were made to close Gdynia by appealing to Geneva and The Hague on the grounds that Danzig was meant by the Versailles treaty to be the sole port of Poland; but this move failed. A compromise, however, was reached last August when Poland agreed to use Danzig, despite its Hitlerite complexion, as a port on more or less equal terms with Gdynia.

Such a position is not in the least enigmatic in so far as Poland is concerned, for Polish policy is and must be absolutely pacific. The sensational journalists who pictured Marshal Pilsudski as a hardened, blood-stained man of war, ready and eager to launch his legions on Danzig, East Prussia or the Reich itself from sheer lust of conquest, or because he was spoiling for a fight, were utterly, ludicrously mistaken. Count Skrzynski, twice Foreign Minister and once Prime Minister of the republic, summed up Polish policy when he said in his *Poland and Peace* that, owing to the "particularly unfavorable geographical situation" of his country, the double obligation was imposed on the State of maintaining an "absolutely pacific policy," and at the same time an "army as strong as possible"—in short, peace and the means of defending it. For defense Poland maintains an army of over 250,000 men, now admittedly one of the

most formidable in Europe. She bears its cost, which entails immense sacrifices in other directions, not for the sake of prestige or as a threat to her neighbors, but because she believes it necessary for her own protection. Poland had two potential, indeed historical, enemies—Russia and Germany. With no fear now of Russian aggression she turns her whole attention to Germany.

Colonel Beck, the Polish Foreign Minister and a strong supporter of Pilsudski, has epitomized the present policy of his country toward Germany in the words, "As Germany treats Poland, so Poland will treat her." After the World War Germany deliberately impeded Polish recovery; she still does so, for in her eyes the very existence of Poland remains a capital crime. Poland more than once made friendly overtures to Germany, but without eliciting the slightest response; she is not going to repeat the attempt. On the other hand, because of her definitely pacific, though not pacifist, policy, Poland is ready to welcome even any friendly move that Germany may make or inspire. Some recent agreements come under the first head, the new Danzig conventions under the second, for the Nazis of Danzig undoubtedly receive their orders from Berlin. While thus prepared to reciprocate any German action that makes for less unpleasant relations, Poland suffers from no illusions as to the realities that underlie German policy.

Poland believes that Germany is re-arming and is probably better prepared for war than is generally thought possible. Knowing that there is neither love of nor desire for peace in the Third Reich, Poland believes that Hitler is merely playing for time till the hour arrives when Germany is ready to strike. That time may

come soon—unexpectedly and without any precise warning of the moment or of the point selected for the attack. Poland suspects that the threats to Denmark, Sweden and Switzerland, though thoroughly symptomatic of Hitlerism, are just so many feints to conceal Germany's deeply premeditated designs on Polish territory.

A year ago, because of the instability of French politics, Poland did not feel very sure of the value of her alliance with France. She intensely disliked the Four-Power Pact even in its final form, and has not accepted it. Her hostility to it was based on its third clause, which deals with disarmament. Her attitude was—and is—that on the vital matter of her army she would not, and will not, submit to dictation by the four powers. The opposition of the Little Entente to the original pact was founded on the second clause, providing for treaty revision; when the clause was sufficiently amended it was altered beyond recognition—that opposition was withdrawn. Poland, of course, did not favor treaty revision either, but the thing that decided her was the disarmament clause. In the covering letters sent by the French Foreign Office to Poland and the Little Entente emphasis was laid on the second clause and nothing was said of the third, a fact which Poland carefully noted and resented. But the Nazi menace has opened the eyes of the French to the value of the Polish alliance, and it is now France that is courting Poland rather than Poland that is courting France. Another thing that has encouraged the Poles is that there has been a reversal in British public opinion, which was for some years much more sympathetic toward the Germans than toward the Poles.

When we compare the situation of Poland with that of Czechoslovakia we

find that while the number of Germans in Poland has been greatly reduced since the World War, the number of Germans in Czechoslovakia, instead of falling off, has slightly increased. After the armistice, and particularly in 1919, there was an exodus of Germans from Poland. According to the latest figures there are only 700,000 Germans now in Poland out of a total population of about 33,000,000.

In Czechoslovakia it is different. Her founders insisted that the new State was entitled to the frontiers of the "historical lands"—Bohemia, Moravia and Silesia—of which it was mainly composed. This meant retaining what had been the Austrian frontier in that region and the inclusion of a large German population. According to a census in 1921, this element numbered 3,123,568, as against 8,760,937 Czechoslovaks. A census taken in 1930, the results of which are not yet completely available, shows that in Bohemia there are 4,713,366 Czechoslovaks and 2,270,943 Germans, compared with 4,382,788 Czechoslovaks and 2,173,239 Germans in 1921.

From the outset the German element constituted a grave problem for Czechoslovakia. The general position of her minorities was regulated by the Treaty of St. Germain and also by the Czechoslovak Constitution, which guarantees equality of rights to all citizens, irrespective of nationality, language or religion. A democratic franchise for both Parliament and local government bodies secures to the minorities, on the principle of proportional representation, such a measure of political influence in the State, its provinces and districts as corresponds with their numerical strength. The Czechoslovak school system makes full provision for all German children. Though only about 5 per



cent of the population of Prague, the capital, is German, that city is the political and economic centre of the Germans in Czechoslovakia. There they have a university, a college of technology, a theatre and other institutions.

After a few years of unavoidable friction the Czechoslovak State steadily pursued the policy of conciliating, though not of pampering, its German population. This policy was so far successful that one of the more important German political groups threw in its lot with the government and for the last seven years there have been two German Ministers in the Cabinet; the other German groups, however, have remained in opposition.

Toward Germany the policy of the republic, whose foreign affairs have been continuously directed by Dr. Benes, sought to establish friendly relations with the Reich. These, if not precisely cordial, were at least "correct" till the Spring of 1931, when they were disturbed by the project for an Austro-German Customs Union, which Czechoslovakia considered as foreshadowing the political union of Austria with Germany. She had long been determined to prevent such a development; it was one of the reasons for the formation of the Little Entente, several of whose conferences subsequently opposed *Anschluss*. The customs union project failed at The Hague, but succeeded in straining Czechoslovak relations with Germany. In 1932 political events in Germany and the growth of the militaristic spirit which they disclosed did nothing to improve the situation.

In general the foreign policy of Czechoslovakia has been oriented toward France for the good reason that France has done more for the new nation than any other State, but, as Dr. Benes has often taken pains to

make clear, there is no truth in the charge that this involves "vassalage." Before the Four-Power Pact and the triumph of Hitler a special conference of the Little Entente in December, 1932, discussed the agreement of the five great powers to concede equal rights in armaments to Germany—contingent, however, on an "organization of peace which would insure security"—and the then menacing attitude of Italy to Yugoslavia, coupled with the sudden and violent renewal of revisionist propaganda in Central Europe in consequence of the fresh success of Germany. The result of the conference was a tightening of the whole fabric of the Little Entente by a closer political and economic alliance and the creation of a Permanent Council and Secretariat.

Though Czechoslovakia does not think much of the Four-Power Pact, Hitler's advent to power and what has since occurred in Germany have given her infinitely more concern. She doubts whether Austria, unless supported by more than diplomatic efforts, can resist Hitlerism. In Prague, as in Warsaw, it is stated, not as guesswork, but as fact, that Germany is rearming. Little confidence has ever been placed on the Disarmament Conference; indeed, the Czechoslovaks have been completely disillusioned in regard to the efficacy of international conferences. For once agreeing with Premier Mussolini, they think the age of conferences is past. They have lost faith even in the League of Nations. Yet the conference method and the League used to be dear to them. It is not Mussolini but Hitler who has changed their point of view.

Pan-Germanism is an old enemy of the Czechoslovaks. During the World War Masaryk published an account of it in a periodical called *The New Europe*, and in a book bearing the same

title which appeared in 1918 he said that he had warned his countrymen by articles and lectures of the danger threatening them from it. The danger is upon them again. Putting aside conferences as vain and the League as futile in the crisis precipitated by Hitlerism, how are they to meet it? How are they to guard that long frontier of theirs? They have a well-trained army of 140,000 men and probably could count on substantial assistance from the Yugoslav and Rumanian Armies, but they would undoubtedly look to France for the greatest possible help, and Poland would be by her side.

As I conclude this article, much the larger part of which is the outcome of my recent visit to Central Europe, I note a press statement that General Weygand, chief of the French General Staff, has gone to Prague to discuss

the subject of military collaboration between the French and the Czechoslovak General Staffs. Also, I see a message from an English correspondent in Prague that the German Nazi party and the German National party in Czechoslovakia, which together were represented in the National Assembly by eighteen Deputies and Senators, have been officially prohibited, that the party funds are being seized and Nazi members have been arrested.

Thus it is that the Nazi's aggressive attitude makes the eastern frontiers of Germany the danger zones which the foreign offices of Europe are watching with anxious and sleepless eyes. Yet one would think that the immensely strong combination which is presented by the forces of Poland and the Little Entente, backed up by France, ought to give pause to Germany. But will it?

# Spain's Venture in Democracy

By ANITA BRENNER

[The author of the following article has spent a considerable period in the Spanish Republic, observing the experiment at close range.]

THE key date in the history of modern Spain is April 14, 1931, when the second Spanish Republic was proclaimed. And the most significant date after that is Sept. 13, 1933, when the Premiership of Manuel Azaña and the Republican-Socialist alliance came to an end. The two dates mark the beginning and end of an experiment in idealistic democracy. What happened on Sept. 13 was a rude answer to Azaña's famous phrase, "The republic has room for us all," for in his last speech to the Cortes, after two and a half years of desperate struggle to implant his own fervent beliefs in the heart of every Spaniard, he confessed wearily: "It is a hard thing to get Spain to accept democracy." And so the Azaña Republican-Socialist government departed in an odor of failure and with the sense of having been betrayed, leaving the country in the hands of a scared President and a shaky, frivolous Cabinet, to face the next inevitable cycle—the clash between the forces of revolution and reaction.

Yet what happened on Sept. 13, 1933, was inevitably determined two and a half years before, when delighted democrats all over the world congratulated one another and Spain on the spectacle of a revolution without a revolution, a republic won at the polls. Spain voted almost unanimously against a monarchy which had hardly a friend left, and whose enemies, ranging from nihilists to constitutional

monarchists who considered that Alfonso had violated his oath, formed a compact alliance. Colonels conspired with Communists, respectable physicians and lawyers whispered with ragged anarchists, artists and writers agitated in jail, and a considerable portion of the clergy, too, actively sympathized with the movement.

The revolutionary committee which directed the fall of the monarchy was composed, therefore, of very dissimilar men, who had in common only one purpose and one idea—"Down with the King!" Individually each representative had his own interpretation of what Spain voted for when it voted against Alfonso, and, more emphatically, his own notion of what was best and necessary for the welfare of his country.

Alliance through compromise marked the first period of the republic—from its proclamation to the end of the Constituent Cortes. The conservative republicans, or liberal monarchists, stipulated that the royal family be allowed to depart unmolested, and asked protection for life and property. The liberal republicans asked for a secular, civilian State, parliamentary reform, justice, and order—and no radicalism. The Left republicans wanted to transform Spain completely but by lawful means. The Socialists, postponing the seizure of power, committed themselves to restraining the masses on condition that the government itself guaranteed steady, revolutionary advances and sweeping labor reforms. The Catalans promised not

to secede if they were granted the status of a free State and control of their own budget, a condition that hurt the feelings and interests of other republicans. The result was a government that made its *début* applauded by the majority of the population, but that in the end pleased nobody.

In the combination the Socialists were the only well-organized, thoroughly disciplined and thoroughly democratic party. Ten or fifteen other parties were improvised groups around a man rather than a program and composed of members of the Cortes who felt themselves free to change from party to party for personal or other reasons, apparently without much reference to the wishes of their remote constituents. Thus the government became a perpetual problem of formulas for coalitions. The ubiquitous phrase in political circles was the old Spanish proverb, "To govern is to compromise." Every step that the Constituent Cortes took away from tradition and toward reform brought the danger of a crisis, and each crisis that was solved or avoided introduced new stipulations into the combination, produced stresses and strains that increased the confusion in all the parties and finally made the parliamentary machinery so complicated that it was rarely able to function.

Two years after the republic came into being the government that proclaimed it had only one solid support—the Socialist party, which found itself in the paradoxical position of "trying to make a republic without republicans," as one of its leaders said. Meanwhile, all the anti-government forces, from anarchists to Jesuits, had rallied around the opposition, created from within the republican camp by Alejandro Lerroux.

The Spanish Parliament, just before the end of Azaña's Socialist-Republi-

can coalition, was a strangely unreal spectacle. Ministers and Deputies rose and spoke and retired always as if acting a part before an audience composed of Parliament and press only. Most of the Deputies stayed away from Parliament altogether. The government was being undermined behind closed doors, in board rooms and editorial offices, and the rest of the country looked where the finger of the press pointed and said, "Down with the Socialists!" which was translated within the Socialist party itself into "No more cooperation with the bourgeoisie."

Yet the Azaña Socialist-Republican Cabinet was still supported by a parliamentary majority when it resigned, while the short-lived Lerroux Cabinet, which took its place, was so dubious of support that it postponed appearing in the Cortes for three weeks, and made it generally understood that its chief object was a dissolution and new municipal and parliamentary elections. The prospect was hailed with rejoicing in the upper levels of society, especially among the big business men, and with hostility by the masses, who, though unfriendly to the Azaña combination, rioted when the Lerroux Cabinet was announced. To those who rejoiced, Lerroux meant revision and perhaps cancellation of the new labor laws, paralysis of land and church reform, carefully supervised elections and after that, "a strong hand and no more of this proletarian nonsense." To labor it meant the immediate threat of fascism. To Azaña it was the end of the republican alliance and his ideal of harmonious, cooperative democracy.

Superficially the failure of this experiment of Spain's in democracy can be explained in terms of the Spanish temperament, which every Spaniard says is individualistic and anarchist at bottom. But a better explanation



can be found in the contradictions between theory and reality evident throughout the whole period of the Constitutional Cortes, and finally in the curiously undemocratic spectacle of a government which fell in spite of a majority and another which rose without one, both at variance with the feeling of the country. The Azaña idea, "free play of democracy," was supposed to become a reality on the basis of bargains and pacts. The corollary to the Azaña program, "politics based on disciplined party decisions," must take shape with one such party and a number of shifting groups and outstanding personalities.

Believing that a patriotic and incorruptible Parliament functioning in full view of the entire country was the instrument by which to transform and govern Spain, Azaña directed all his efforts toward that end. But, while everybody unquestionably wanted a transformed Spain, only a small minority of intellectuals understood and believed in Azaña's ideal, and so the bitter social struggle that precipitated the republic went on with increasing violence in every city, town and village, so that strikes, riots, uprisings, bombings and fires were familiar daily items of news and the jails were packed with political prisoners. Parliament lost its contact with the people as nine-tenths of its energy was expended on the elaboration of a Constitution and a mass of legislative reforms. Meanwhile, the country was governed with emergency laws and decrees, such as the Law of Defense of the Republic, which virtually suspended the Constitution and postponed, until the day when all the laws should be perfected, the actual transformation of Spain.

But Spain was in no position to permit such a delay. From the very moment on April 15, 1931, when the Pro-

visional Government took charge, it had to face six grave problems, the six that destroyed Alfonso. These problems—public debt, unemployment, land reform, Catalonia, the army and the church—were at once so urgent, so interconnected and so bound up with the machinery of government that no one of them could be touched without disturbance to the whole ailing organism of the nation.

First of all there was the enormous debt piled up in the prosperous days of the Primo de Rivera dictatorship, when the easy money and easy credit of the Nineteen Twenties gorged the National Treasury, made fortunes for construction, telephone and other concessionaires, and left a burden so great that the service on the national debt became double the amount of the next largest item, public works. The Azaña government could do little in regard to the debt beyond avoiding an increase and giving the country an honest budget. Even the enemies of the Azaña régime said that it was the most honest Spain could remember. And it is well known that this surprising scrupulousness in questions of finance—and concessions, especially—was one reason why it was unpopular. For example, when Azaña took over the Ministry of War, he discovered that many journalists were budgeted there under the official heading of "horses." Red-penciling the fodder for these beasts meant a ceaseless campaign against him in most of the Madrid newspapers, and this campaign was the factor that eventually encompassed his downfall.

That Spain, which has been called "a pre-eminently agricultural country," should have nearly a million unemployed, is a mystery only on the surface. She has suffered particularly from the universal desire among the nations to become self-sufficient.

France used to take most of her exportable wine, reflavoring and relabeling it as Sauterne, Burgundy and so forth. France was now getting this extra wine from the newly developed vineyards in her African colonies. Olives and olive oil, exported largely to South America, were being paid for in "blockaded" funds, which amounted to a system of barter. Fresh fruit and vegetables, which used to go to England and France, encountered high tariff walls.

Industrial unemployment, too, was a reflection of adverse world conditions. Not even Lerroux could blame the Socialists for the deserted foundry at Sagunto, which was started during the war, nor for the bankrupt mines in the Pyrenees and on the Atlantic coast, nor for the ghostly shipyards at Cadiz and Cartagena. The Barcelona textile industry was mortally sick because it could not compete with the Japanese.

These explanations of Spain's unemployment, however, did not differ greatly from those offered in other countries. Yet there was another, and deeper, reason peculiar to Spain—the disastrous land system in Andalusia, Estremadura and Castile. It resulted in a ceaseless stream of emigrants from the country, even in times of prosperity, and there was a steady return of "invisible wealth" from these citizens overseas. When immigration in America was halted, when remittances from emigrants dwindled, and when large numbers of emigrants fled back home from Cuban, Mexican, Argentinian and American poverty, the close relationship between unemployment and the land question became too obvious to be ignored. In Andalusia, Estremadura and Castile enormous estates were cultivated on the theory that it was better to get a small profit

on practically no outlay than to spend more on labor, machinery and improvements and get proportionately less. A landowner who had enough income from several thousand acres to pay for his horses, his bets, his women and his trips to Madrid and Paris did not worry if half his estate lay fallow or if good farm land were used for pasture. This system kept many thousands of peasants at the lowest level of misery and produced that constant stream of emigrants.

The solution of this vast problem was naturally difficult. The Constitution "nationalized" the soil. Two years later, when the Azaña Cabinet fell, the Cortes had just finished discussing the last of the new land laws. Actually the only step taken toward reform was the confiscation of the lands of all the *grandees* and of all the landowners involved in the monarchist uprising led by General Sanjurjo in August, 1932. These estates were held for survey, and distribution began only a month before Azaña resigned.

Since Catalonia was the backbone of the revolution, almost the first decision taken by the new Cortes was to confer the status of a free State upon Catalonia. But this constitutional change was to take effect gradually, and though the decision solved the immediate political problem, Catalonia did not obtain all the machinery of self-government allowed by the Constitution. The three keys to control—budget, police and education—remained in the hands of the National Government. Concessions were made a little at a time in return for support of the Cabinet.

The reform of the army, probably the most lastingly significant of Azaña's achievements, was simpler and was brought about without the Cortes. Under de Rivera the army had

become a topheavy organism which enjoyed immunity from all civil duties and responsibilities. There was a General for every eighteen soldiers. Whoever criticized the army or any of its members was subject to court-martial. Politically the army was supreme; even the King obeyed General de Rivera. In his quest for a civilian government Premier Azaña quietly retired the military oligarchy on full pay, thereby saving money on uniforms and other expenses, and reorganized the army by the simple method of allowing the rank and file, irrespective of age, to advance by means of examinations. The officers' extra-official privileges were canceled by decree. Spain thus found herself with an army that might perhaps be useful for war but that could hardly be used as a unit for political movements. The outlook of the rank and file approximated that of civilians of their own level, and was alien to the ambitions of their officers. A successful *coup d'état* based on the army became, thanks to Azaña, improbable, perhaps impossible.

Under the monarchy the church had been almost as powerful politically as the army. Together with the Jesuits it controlled the finance and much of the industry, commerce and agriculture of Spain. When the Cortes took the far-reaching step of expropriating church property, confiscating that of the Jesuits and dissolving the order, a prolonged parliamentary crisis was initiated that ended only on Sept. 13, 1933. Though the reform was made almost entirely on paper, it split the republican alliance, sowed enmity between Azaña and President Alcalá Zamora and strengthened the overwhelmingly hostile anti-Azaña campaign in the press. Of an estimated 800,000,000 pesetas (\$155,000,000 at par) of property be-

longing to the Jesuits, the government took less than a quarter. The other laws were to go into effect on Oct. 1, 1933. Though none of the measures adopted to meet the church problem in the Constitution as well as in the new laws could be called democratic in the American sense, they could not, on the other hand, be labeled revolutionary.

The revolutionary intent of the Constitutional Cortes was wrecked on the two rocks of church and land. The process was this: First, Parliament determined to effect reforms; second, opposition within Parliament prolonged discussion and postponed action, while the press, almost entirely hostile, cried that the national economy was being ruined and that Azaña and the Socialists were to blame; third, the struggle in the Cortes was translated into a feeling of insecurity among the landlords, who thereupon hoarded, refrained from undertaking any but urgent labor, and often even allowed the land to remain fallow; which in turn increased unemployment, aggravated the crisis, caused revolt, strikes, destruction; next, the government in defense used the police and the Civil Guard, jail and repression. Ultimately, popular feeling turned against Azaña and the Socialists.

The Constitution and the legislation enacted by the Cortes gave expression to the self-contradictory theory of "revolution through democracy" of the Azaña Socialist-Republican coalition. There was scarcely a law that could not be canceled by another. The Constitution guaranteed every one "all the conditions of a dignified life," but the law on vagrants and undesirables allowed any judge to jail any citizen who could not prove he had a lawful source of income. The Constitution decreed ample liberty of press, speech

and assembly, but the law of public order allowed all these privileges to be suspended "at the signal of warning." By the simple expedient of enforcing one law and forgetting another, almost any kind of régime was possible. Thus no one in Spain was pleased with the results of its somewhat quixotic excursion into democracy. By September, 1933, no one was cheerful any more. People took sides grimly, and the new government cautiously began attempting to disarm labor, which was well provided with shotguns, left over from April, 1931.

Spain's experiment in democracy was actually an attempt to answer the question, "Can a country be reformed radically or revolutionized by means of a normally functioning democratic Parliament?" History said No, but Spain attempted the impossible. In reality, therefore, the underlying contradiction that foreordained all the other contradictions of the Azaña period was that between revolution and democracy, and this led inevitably to a deadlock. The sharp cleavage at the end of the Constitutional Cortes pointed clearly to a struggle for one or other of two dictatorships, labor or semi-Fascist.

However, if neither revolution nor democracy succeeded under Azaña, neither failed totally. Spain, in 1933, presented a startling contrast to Spain in 1931. The change was one in intangibles, so marked that almost any observation was prefaced or followed by, "It's the Republic!" Do the señoritas bob their hair, go stockingless in Summer and rush to the beaches with the señoritos? Ah, the Republic! Are the churches empty on Sunday and the woods full of picnickers singing radical songs? The Republic! Have the somber, unforgetably tragic religious

processions been replaced by paraders going to or from a mass meeting? The Republic! Does the peasant in Andalusia forget to bow and uncover when his landlord passes? The Republic!

Apparently "the Republic" was something that had to do with the young and the proletariat. These two sections of the population gave Spain in September, 1933, its tone. Young men shrugged their shoulders and said: "Bullfights? A nice spectacle! An animal bleeding to death!" Girls said: "Mantillas and mass and a lover at the window? Nonsense! This is the twentieth century!" The "Army" walked arm in arm with the citizenry and was out of its uniform half the time. Any street crowd now contained representatives of every social stratum, elbowing each other amiably the better to watch, perhaps, a performing rat. Democracy, whether or no ideally achieved in Parliament, sat in every café, and the signs of social revolution were obvious at least on Sunday.

Without underestimating the political failure of the Azaña experiment, not its subsequent dangers, one must recognize that whether because or in spite of the government, Spain had moved ahead in two and a half years. Some things had come to stay, for example—higher wages and shorter hours. The experiment also impressed even the extremely conservative Right with the need of social and economic reform, though the avowed aim of this element was fascism. The danger feared by the Azaña alliance—a restoration of the monarchy—was not even on the horizon. Since the elimination of that possibility was thought to be the chief task of the alliance, its historical mission was at an end, and with it a quixotic experiment in democracy.



# The Challenge to de Valera

By DENIS GWYNN

[The writer of this article is the author of a dozen books, mainly on Catholic and Irish affairs, the latest being *De Valera*, published in New York by E. P. Dutton & Co.]

THE acute crisis which arose in the Irish Free State in August has continued ever since, but the prospect of an early election has apparently receded. Mr. de Valera's organ reiterates that the present Dail, elected in January, 1933, should survive for the full five years of its statutory life. Meanwhile, a condition of chronic tension and unrest persists, and the government apparently intends to cope with it by exercising the extraordinary powers conferred by the Public Safety Act which it brought into operation in August. Mr. de Valera's ascendancy over his colleagues in so indisputable and his own temperament is so reserved and inscrutable that one can only guess concerning his further intentions.

He was confronted during the Summer by a new and militant agitation which had been suddenly organized under a new leader who showed singularly little aptitude for political tactics. The Opposition forces were still disunited, but there were signs that they would soon combine. Economic discontent, which had been almost miraculously averted by two abundant harvests, had not yet gathered momentum, but the inevitable effects of de Valera's fight with the British Government were beginning to be felt. The general situation indicated that his popularity would soon be seriously threatened, while his opponents would have settled their quarrels and com-

bined to pull him down. General O'Duffy's National Guard was a clear omen of increasing opposition. If it were allowed to grow, de Valera's small majority in the Dail would be imperiled. To those who are familiar with de Valera's capacity for rapid decisions and who know his powers as a mob orator in emergencies, it seemed likely that he would hold an election at once to obtain a mandate for suppressing O'Duffy's new organization.

Mr. de Valera has now been in office since February, 1932, and he has kept the initiative in his hands ever since. Disregarding all protests from London, he abolished the oath of allegiance required by the treaty with England which established the Irish Free State in 1921. Likewise, he at once discontinued payment of the land purchase annuities and other annual payments (amounting to some £5,000,000 a year) which had been paid regularly to London under a financial agreement between the Dublin and London Governments. After abortive efforts at negotiation, the British Government retaliated against the abolition of the oath by refusing to renew the imperial preference which all other Dominions enjoy. Later, when the annuity payments were suspended, it imposed a series of drastic duties on Irish agricultural imports, which were intended to produce revenue equal to the payments that were being withheld. Mr. de Valera then retorted by imposing similar duties on British imports into the Irish Free State, and the tariff war has increased in intensity since.

It was believed in London, in ignorance of the conditions which had brought de Valera into power, that the economic war would be felt so quickly all over Ireland that de Valera would have to reverse his policy. The tariffs were also expected to compensate for his default in paying the Irish annuities. They have in fact fallen far short of the expected yield; and the recoil upon British trade with Ireland has been serious.

The effects of the economic war upon the political situation in Ireland have been still more disconcerting. By penalizing the Irish farmers for Mr. de Valera's default, the British Government hoped to make him widely unpopular in Ireland. But in practice the main effect of the blockade has fallen upon the more prosperous farmers who have always opposed de Valera and disapproved of his present policy. The majority of his supporters, on the other hand—the small farmers and laborers and the younger classes of voters—have suffered remarkably little. Many of them have even gained for the time being through Mr. de Valera's policy, and many more have hopes of gaining through the misfortunes of the larger farmers. Broadly speaking, Cosgrave has been steadily supported by all the large farmers and by the business community. The small farmers of the poorer districts, especially along the whole Western seaboard, where the population is abnormally crowded on almost barren land, lead an extremely primitive existence and are very little concerned either with markets or with money payments, except for paying land annuities, which are equivalent to rent. To them *Fianna Fail* (de Valera's party) offered escape from the obligation to pay land annuities (since payment could scarcely be enforced

for long, once the obligation to England had been repudiated) and many attractive promises of State expenditures to develop the poorer district.

The British policy of economic reprisals had ignored the plainest feature of Ireland's economic and political structure. Nearly half the population of the Free State are crowded in the relatively barren counties west of the River Shannon, while the fertile plains of the midlands are largely depopulated and given over to grazing. By far the greater part of the export trade of cattle, butter, poultry and pigs is drawn from these midland counties, where the average farm is much larger than in the West. The larger farmers have usually paid their land annuities regularly and kept their farms well stocked with cattle. For them de Valera's proposal to retain the land annuities at the risk of losing the British market was sheer madness. But the small farmers had much to gain, and practically nothing to lose, by refusing to pay rent. Consequently, the British tariffs have chiefly paralyzed those who had supported Cosgrave, while they have enhanced de Valera's popularity among the Western peasantry.

British politicians, having no clear conception of Irish conditions, assumed that all Irish farmers must be conservative-minded yeomen, whose thoughts were entirely centred on fairs and markets. Nor did they understand that for years de Valera has been urging a complete transformation of Irish economic conditions, by breaking up the cattle ranches of the midlands in order to give more employment by increased tillage and by dividing the larger farms. Hence, the outcry against him for having provoked the economic war comes now from the same class of prosperous farmers and graziers whom he would have challenged in any case.

Unaided, he would have had a tremendous task in trying to bring about the break-up of the grazing lands and in compelling the graziers to adopt tillage. But the "blockade" duties, by making grazing unprofitable, have immensely assisted his program of economic reconstruction. Incidentally, the farm laborers in the midlands, who naturally outnumber their employers, not only hope for more employment by increased tillage but see hopes of obtaining land themselves when the cattle ranches are broken up. The Land Bill introduced by de Valera's government has stimulated such hopes by its provisions for compulsory purchase and for resettlement of the land.

These simple considerations explain the undeniable success of de Valera's appeal to the electorate for a vote of confidence early this year. The small farmers gave him increased support, for having reduced their land annuity obligations. In the midlands, which had felt the full effect of the blockade, and where the prosperous farmers were feeling desperate, the laborers voted so solidly for de Valera and his Labor party allies that he won new seats in every grazing county. Meanwhile, he had obtained extraordinary powers, almost amounting to dictatorship, under the Emergency Duties Act which was passed when the blockade began. His budget in 1932 had increased taxation from £20,000,000 to £25,000,000 to provide for large measures of public works and various kinds of unemployment relief. A series of measures has since been carried to promote Irish industries on a most ambitious scale, practically assuming that the blockade will continue, and that the country must become independent of British imports. This Summer an Industrial Credit Bill has been introduced under which the govern-

ment is to finance Irish industry to the extent of £5,000,000, providing immense loans for creating sugar refineries, cement and paper factories, and for exploiting peat and for developing Irish mines. Power has been taken to raise a further £5,000,000 by debentures for later schemes. Meanwhile, housing schemes for the laboring class, road-making and various other plans are in progress, which involve an apparently unlimited demand upon the harassed minority who pay taxes and who also have been most hit by the economic war.

For two years Mr. de Valera's habitual good fortune has given him exceptionally good seasons for the farming community. The small farmers, who lead an almost self-supporting existence, have had less cause than usual for complaint. The laborers have gained new hope from his ambitious plans for industrial development, which have not yet been put to the test, and unemployment relief has been on a scale more generous than in almost any other country. Only those classes who have hitherto been more prosperous than the rest have so far suffered, but their hardships have been great, and they face a prospect of overwhelming taxation. Yet they have been powerless to assert themselves. In the Dail they have been constantly outvoted. There has been no hope even of winning a by-election. Moreover, the last elections disorganized their forces. The new Centre party, formed by Frank MacDermot and James Dillon, gained a number of seats, but in each case at Cosgrave's expense. Cosgrave's party, after ten long years in office, had become thoroughly unpopular and could not hope to inspire enthusiasm. The Centre party, led by able young men of distinguished families and considerable

private influence, who had played no part in the strife of the past ten years, had detached from Cosgrave the most influential of his former supporters in the business community and among the larger landowners. Cosgrave's party had in fact become little more than an effete machine.

Under such conditions the Opposition forces sought eagerly for some new leader who would unite them on a new platform and with a definite program. But neither leader nor platform nor program was easy to find. De Valera's popularity was greater than ever, and he had shown a most formidable genius for political strategy. Apart from the menacing problem of how all his schemes are to be financed, or how chaos and misery are to be avoided if revenue should fail, he has certainly assisted more people in Ireland for the moment than he has injured. His economic policy of freeing Ireland from an excessive dependence upon external trade, which keeps the most fertile parts of the country depopulated and leaves no scope for development in the overcrowded West, and of creating a more self-contained national economy, has advanced with rapid strides. Even if he were overthrown tomorrow, it is extremely improbable that the present tariff system would be abolished or that the efforts at economic reconstruction would be discontinued.

In the political sphere also de Valera has achieved an advance toward national independence which can scarcely be undone. No Irish politician would now think of restoring the oath of allegiance, nor would anyone attempt to revive the extravagant scale and obsolete functions of the office of the Governor General. Time after time de Valera has declared that he will work toward full national independence within the framework of the

Constitution, taking advantage of any instrument that enables him to claim fuller sovereign rights, whether it be an Ottawa conference or the resolutions of previous imperial conferences. He stated openly in the Dail in May that he believed the republic would be attained by general consent much sooner than most people imagined, and that he hoped before long to proclaim a republic himself as a "mere ceremonial."

Against de Valera's program of economic and political reconstruction, what alternative can the Opposition provide? What interests does it even represent? The cattle raisers, the traders, the banks, are all thoroughly alarmed, but can they hope to carry the country with a program of rehabilitating the cattle ranches and restoring free imports of British manufacture? So far, they have only been able to denounce de Valera for quarreling with a friendly country which is Ireland's best customer. They insist that Ireland will always produce far more foodstuffs than she can consume. But de Valera replies that he also desires a settlement, but only on terms which do not involve paying a yearly tribute to England, and which will recognize Irish national sovereignty. The taxpayers who have to bear the whole burden of de Valera's ambitious program are protesting furiously. But they are vastly outnumbered by the peasantry, who scarcely use money from month to month, and the laborers, who will not yet believe that revenue cannot be obtained without limit. De Valera is not only a courageous and determined leader; he is equipped with powers scarcely less than those now exercised by President Roosevelt in the United States. Opposition to his program while he forces the pace can only be negative, and Cosgrave, after ten years of office, is



still crippled by an accumulation of grievances against him and his Ministers.

Yet the Opposition has quite suddenly come to life in a really formidable way since early July. Its disunited forces have been combined; a new leader has been chosen from outside the conflicting groups; even a program on which to rally the growing forces of discontent has been evolved. Its immediate challenge to de Valera is not on the economic war so much as on the unexpected issue of unjust administration of the law. The Blue Shirts, and General O'Duffy as the new leader of a reorganized Opposition, are the direct outcome of de Valera's régime, and they may yet provide the nucleus of a gathering reaction that will destroy his extraordinary power. On the main political and economic issues he was apparently invincible until time proved whether his policy led to national revival or disaster. But a latent weakness in his dictatorship has made him vulnerable on a matter of principle affecting the ordinary life of every one. For years, since the civil war which followed upon the treaty, his relations with the secret organization of the Irish Republican Army have caused apprehension to all who regard the security and peace of private life as the first function of good government.

Before the civil war ended in 1923 de Valera told his followers to hide their arms in case of future need. In later years, especially after he took the oath of allegiance as an "empty formula" and led his party into the Dail, the I. R. A. leaders denounced him furiously. In time he was thought to be completely detached from alliance with them. But the I. R. A. has shown spasmodic signs of returning vitality. In 1931 their illegal activities

became so serious that Cosgrave carried a Public Safety Act, virtually establishing martial law in emergencies, to stop the murders of policemen and the intimidation of juries. De Valera has insisted that there need be no fear of revolutionary outrages once the oath of allegiance was abolished, but the I. R. A., emboldened by his policy of ignoring its activities, has again become a source of serious trouble. Before the last elections, intimidation by its armed agents and organized forces became so menacing that a defensive organization was formed to cope with it by Dr. O'Higgins, brother of the murdered Vice President of Cosgrave's Cabinet, as an extension of the Army Comrades Association. It met with immediate support and its organized bodyguards counted for much in securing a free election last Winter.

In recent months, however, political outrages, obviously inspired and directed by the Irish Republican Army, have been much more frequent. Private houses have been seized by I. R. A. detachments, persons have been kidnapped, some have even been murdered, with increasing frequency, while the I. R. A. has grown always more openly defiant. Its members have paraded publicly and frequently in complete disregard of de Valera's warnings that no illegal armed bodies would be permitted. This Summer the I. R. A. even established a camp on the hills overlooking Dublin without its being molested.

The purpose and potential outcome of the I. R. A.'s military preparations have long caused anxiety. Their recent interference with private property and their threats of murder have provoked widespread alarm. Lately their leaders have apparently exercised direct pressure upon de Valera's government. They demanded publicly that Mr.

Nelligan, the head of the Criminal Investigation Department, should be dismissed, and within a few weeks he had gone. Next they demanded the dismissal of General O'Duffy, who had for ten years been head of the police. He, too, was soon afterward discharged and no direct reason was assigned. Meanwhile, local intimidation by the I. R. A. increased, and the Army Comrades Association felt it necessary to strengthen its organization. In July it held a general assembly in Dublin, and Dr. O'Higgins, having found a successor, announced his own resignation as its chief. General O'Duffy was accepted as the new leader with immense enthusiasm. His own dismissal from command of the police had been directly due to the growing pressure of irregular influences upon the government. To extend the work of the A. C. A. on a non-political basis, he at once changed its title to the "National Guard," put it into blue shirts and announced a whole program of athletic training and other objects likely to appeal to young men. There was also to be an auxiliary organization for youth.

General O'Duffy's enemies denounced all these measures as those of a man with a grievance. But he has long been regarded as one of the most disinterested and public-spirited men in Irish public life. He first made his name in the Sinn Fein agitation, when he rose to be Commander-in-Chief of the Irish Army after Michael Collins was shot in ambush during the civil war. When it ended, O'Duffy was given command of the Civic Guard, or police, which has become a highly efficient force under his direction, commanding universal confidence for its impartiality and sense of duty. His reputation for integrity stood so high that when an army crisis arose in 1925

he was again made temporary Commander-in-Chief, but when trouble ceased he returned to command the police. In dismissing him this year for no apparent reason, de Valera undoubtedly shook confidence in his own integrity.

To the Opposition forces, searching for a new leader, General O'Duffy's emergence as head of the National Guard was a providential discovery. The government showed immediate signs of panic and took several vindictive steps, including the forfeiture of General O'Duffy's pension, which only aroused sympathy for him. It then adopted the extraordinary procedure of calling in every license for carrying firearms which had been issued to private persons, including bank managers, for their personal protection. The I. R. A. was notoriously armed, though its members held no arms licenses. Yet they were left undisturbed while every peaceable citizen with a license was obliged to surrender his weapon.

Any experienced politician could have derived immense advantage from the government's high-handed action. But General O'Duffy's first actions were a series of blunders. He announced a national parade of his Blue Shirts in Dublin to celebrate the annual tribute to Collins and Griffith; then vowed that nothing would prevent his fulfilling the "sacred duty" of holding the parade, when the government threatened to prohibit it; then canceled the parade and announced an alternative arrangement, which also had to be canceled. His worst blunder was in announcing that the new movement was a revolt against party politics and parliamentary government. Nothing could have helped de Valera more in dealing with this new threat to his popularity. He

decided quickly to treat the National Guard as an open challenge to Parliament, requiring emergency powers. Accordingly he revived the Public Safety Act, which Cosgrave had enforced against the I. R. A., and under its wide powers declared the National Guard to be an illegal body.

The immediate result was a sudden closing of the Opposition ranks. Negotiations for union between Cosgrave and the Centre party quickly resulted in agreement. General O'Duffy was invited to become the national leader of the whole Opposition, reorganized as the United Ireland party, with Cosgrave as its chairman in the Dail and MacDermot and Dillon as vice presidents. This "new deal" transformed the situation. The front Opposition bench in the Dail was no longer confined to the same group of embittered men who had held office for ten years. The inclusion of MacDermot and Dillon showed that new men, and those who had refused to identify themselves with party politics before, would find scope in the new organization. General O'Duffy himself is to devote his great energy and popularity to organizing the movement throughout the country. In the Dail Cosgrave's long experience, great shrewdness, good humor, integrity and courageous public spirit make him a most formidable leader.

Of his new allies by far the ablest is Frank MacDermot. A member of a famous and ancient family in the west of Ireland, he served with Irish regiments in the World War, but had made several incursions into Irish politics as a friend of Erskine Childers before he went to New York as a stockbroker. Since his return to Ireland he has been engaged as a practical farmer in his native county. He therefore commands the confidence

not only of the business community but of the farmers who are suffering most from the blockade. Full of pluck and self-confidence, with a remarkably lucid mind and a fine gift of oratory, MacDermot has been de Valera's most formidable critic among the independent members of the Dail.

The main plank in the Opposition's new platform is a demand for immediate settlement with Great Britain by friendly negotiations. Meanwhile, it has concentrated upon forcing de Valera to face the consequences of the injury he has caused to the farming and trading classes. Many substantial farmers are entirely unable to pay their local taxes because their cattle are virtually unsalable. MacDermot and Cosgrave, without actually urging a general refusal to pay these taxes, have championed the distressed farmers in their protests against distraint when payment is impossible. Such cases will certainly multiply in time, and the Opposition is exploiting them vigorously and skillfully in order to force a settlement of the economic war.

But de Valera has retorted with measures which cannot fail to provoke a fierce revolt. Under the Public Safety Act he brought before the Military Tribunal a number of farmers who had been unable to pay their local taxes, charging them with deliberate conspiracy against the State. For a whole month they were kept in jail awaiting trial, but when they were tried the Military Tribunal acquitted them on every count. Their acquittal will inevitably encourage others to resist distraint, while it stultifies de Valera's application of the Public Safety Act and creates a bitter feeling of injustice among the farmers whose present distress is directly due to his policy. For the first time since de Valera took office his popularity is seri-

ously in danger. The revulsion against him may grow all the sooner because of his failure to prosecute members of the Irish Republican Army who have been attacking General O'Duffy's meetings with brutal violence, while the police are apparently ordered not to interfere.

The Public Safety Act, even if it were impartially and justly administered to prevent acts of criminal violence, would make any government unpopular. Actually its operation has exposed de Valera to charges of gross injustice against the victims of his economic policy. The Opposition may well feel that General O'Duffy's advent into public life has upset all de Valera's calculations by forcing him to play his last card at the wrong time. But the danger of playing it when he did was so obvious that one wonders whether, after eighteen months of overwhelming work and strain, his nerve and his sagacity have failed him, or whether he is deliberately creating a situation which will give a free hand to his old allies of the I. R. A. A settlement with Great Britain upon terms vastly more favorable than when he took office could be obtained almost at a moment's notice, and such a settlement would take the wind completely out of his opponents' sails.

But does de Valera want a settlement in the ordinary sense? Or is he preparing for a new phase of the age-long conflict between the two countries? He declared ominously in a recent speech in the Dail that a far bigger issue than the economic dispute

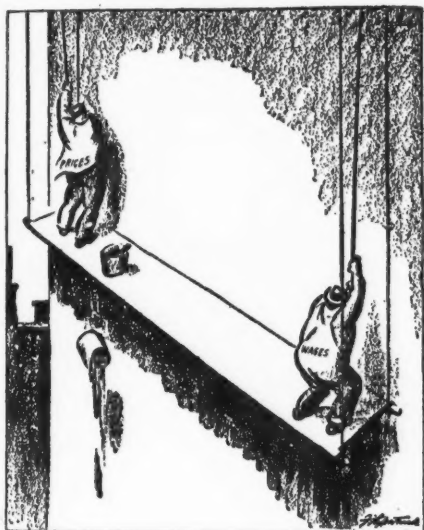
remains to be fought out. That is nothing less than the reconquest of "every inch of Irish soil," including not only the amalgamation of Northern Ireland with the Irish Free State under an independent national government, but the evacuation of the British naval bases at Queenstown and Lough Swilly. No one can believe that such a result is obtainable without renewing a desperate conflict and plunging Ireland into anarchy for years. Yet de Valera declares this to be the indispensable basis of any settlement.

It may indeed be that the anarchy now developing out of the collisions between O'Duffy's and de Valera's supporters will result in raising much wider issues than have yet appeared openly. It is by no means certain that even in Ireland de Valera's insistence upon complete separation from the British connection would ultimately prevail. Two months ago he could have sprung an election upon the country with every prospect of easy victory. In the interval ugly forces that must change the character of any election in the near future have gained ground. Having disarmed his opponents and proclaimed their defensive organization an illegal body, does de Valera count upon intimidation to sweep the country at an election when he is ready for it? Or has he merely allowed conditions to drift toward anarchy? In any case, the moral authority of his government and public confidence in the police have been deplorably paralyzed and discredited by a growing sense of unjust administration.

LONDON, Oct. 20, 1933.



# Current History in Cartoons



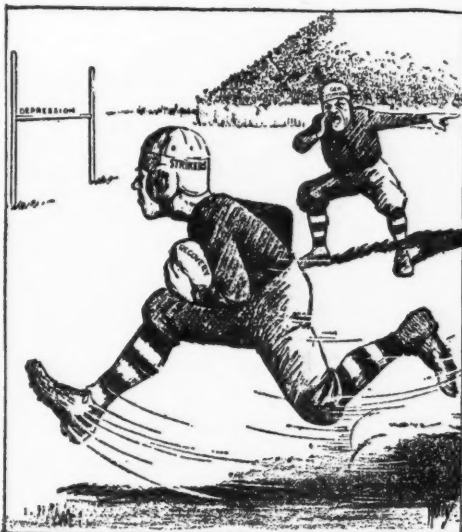
A little more balance, please  
—*St. Louis Post-Dispatch*



Now, if it wasn't for that dog  
—*Philadelphia Inquirer*



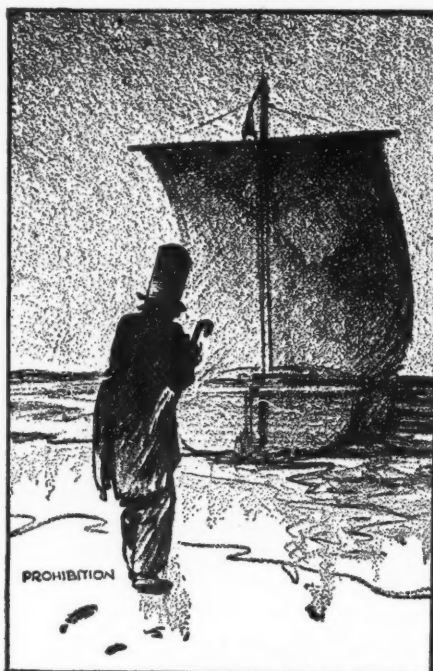
"Lay me an egg!"  
—*Boston Herald*



Captain—"Hey! You're running the  
wrong way!" —*The New York Times*



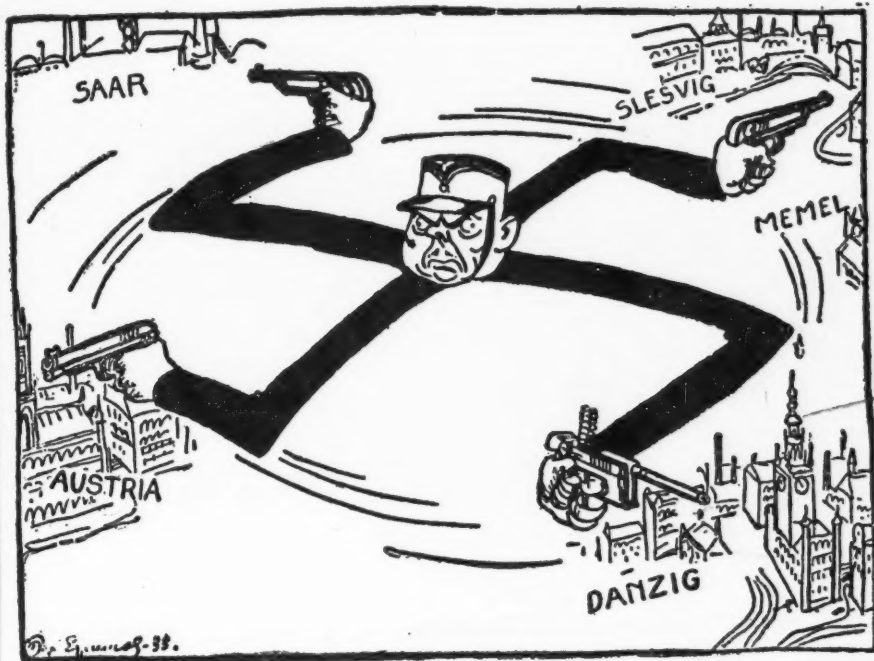
Comrade!  
—Baltimore Sun



And let there be no moaning of the bar  
When I put out to sea  
—NEA Service



Show us how you do your tricks  
—Detroit News



—Zarubejom, Moscow



Signs of returning prosperity

—Glasgow Evening Times



Control Commission—"Will you permit an inspection on the question of armaments?"

—*Kladderadatsch, Berlin*



The Stranglehold—"Himmel! How I love you, my angel. If I were only stronger, I might love you even more"

—*Daily Herald, London*



"Frankenstein"

—*Washington Post*



# A Month's World History

## Germany Quits the League

By ALLAN NEVINS

*Professor of American History, Columbia University*

IN the period between Baron von Neurath's departure from Geneva at the end of September, bearing a tentative disarmament proposal to the German Government, and the meeting of the Disarmament Bureau on Oct. 9, the Foreign Offices of London, Paris and Washington hoped that the arms conference was approaching a great success. It remained only for Adolf Hitler to crown their efforts by giving his assent.

The plan which Baron von Neurath took to Berlin called, briefly, for two periods of disarmament—first, a four or five-year interval, during which each country would submit its armaments to the supervision of an international commission; and second, progressive disarmament for four years, during which time Germany would be allowed to raise her defensive military equipment to the level of the great powers, while they in turn would reduce their offensive weapons. It was somewhat ambiguously provided that offensive weapons would be moderately reduced during the first period by France, Great Britain, Italy and the United States.

Every one was aware that the supervisory period represented a scheme devised by France, and later endorsed by Britain, to prevent the further secret rearming of Germany.

Its real name in French was "Security." The mild provision with regard to arms reduction during this first period was a concession to Norman H. Davis, who has been persistent in demanding some immediate form of disarmament. Whether it would bear practical fruits was doubtful in at least France and Great Britain, where conservative nationalist politicians began at once to manoeuvre against it, and were supported by the powerful munitions interests.

Adolf Hitler had as shrewd an appreciation of these facts as any one. That he hesitated in showing the German hand was due largely to a hope that France, Great Britain and the United States would disagree among themselves and remove the necessity for dealing with a united front of the powers upon disarmament. Hitler felt reasonably sure that he could count on the friendliness of Italy. Mussolini had already sanctioned the German demand for immediate possession of "samples" of all kinds of arms.

The German argument that the powers should either disarm or let Germany arm was logically sound. But instead of making adroit use of his strong case, Hitler proceeded to perpetrate a series of diplomatic blunders. The first of these was in assuming that France and Great Britain

were not nearly as closely united as they seemed. He believed that Prime Minister MacDonald, who has been notably fair to the German Government, would look with sympathy on a plain statement of his case.

Hitler, therefore, dispatched to London, and also to Rome, a note in which he declared that Germany could not wait four years before beginning to achieve arms equality with France and the other powers, and that she must have a few big guns, tanks and airplanes at once. He added that the first period of a moratorium on armaments must not extend over four years, and that the proposed supervisory commission must not presume to investigate Germany at all.

Contrary to Hitler's expectations, this declaration stiffened British resistance. At the same time, since he had sent no notes to France and the United States, it added fuel to the resentment of the French and irritated Mr. Davis by apparently snubbing them. In Washington President Roosevelt unofficially warned Germany that by our separate peace treaty with her she is bound to disarmament as firmly as by the Treaty of Versailles. When the effects of Hitler's move were seen to be unfavorable, the German Foreign Office returned to its former equivocal attitude. "We are demanding nothing," it stated, "but we will never voluntarily sign a convention which leaves out of account the fundamental principle of equality."

Premier Daladier immediately dealt with the issue in a speech at Vichy, where his Radical Socialist party met in congress: "We are resolved to permit no further reduction in our armed forces unless there is an honest international agreement to organize gradual disarmament under the aegis of a permanent and automatic supervision. \* \* \* Why is the youth on

the other side of the Rhine being drilled for combat? Why this refusal of the first stage of disarmament? Why demand the right to construct today costly war material which must be destroyed if the agreement is signed?"

The Disarmament Bureau assembled at Geneva in an atmosphere of the utmost anxiety. A few took the optimistic view that Germany in her notes to London and Rome had demanded more than she really expected and might take less. But the general tenor of the discussion was pessimistic.

Sir John Simon, arriving gloomily from London, told Mr. Davis and Joseph Paul-Boncour, the French Foreign Minister, that his government, at present dominated by the Conservative party, was unalterably opposed to Germany's rearmament. Sir John was in favor of establishing a united British, French and American front and moving toward forcing a treaty on Germany. Here Mr. Davis intervened as peace-maker and declined to endorse such strong measures. As a result the resolution which Sir John had proposed to publish, recapitulating the main points of the three-power plan—a preliminary period of supervision, and no rearming for Germany until after that—was countermanded, although not before it had been printed in the Paris press.

At this point the acting chief German delegate, Dr. Rudolf Nadolny, having collected a fair idea of the trend of opinion, returned to Berlin to report to his chief. There he found Hitler meeting in day and night sessions with the Cabinet.

In Geneva the Disarmament Bureau ground slowly on. On Oct. 14, at a morning session, Sir John Simon delivered a legalistic, unimpassioned speech summarizing the British, French and American stand. It set

the official seal on the triple union. Although couched in conciliatory terms, it firmly denied Germany the right to any armaments until the end of the supervisory period, when she could begin to rearm gradually. She would not reach equality with the other powers until the end of the eighth year.

If the bureau had been fearful of the effects of such a firm stand they were completely astounded by the swiftness with which Adolf Hitler struck back. Without waiting for twelve hours to pass, he announced Germany's withdrawal from the Disarmament Conference and from the League and all its works. His action, accompanied with characteristic Nazi bluster and fanfare, left the world astounded, shocked and for the moment gravely apprehensive.

Adolf Hitler's foreign policy has a dual character. It combines with such defiant and provocative acts as his withdrawal from the Disarmament Conference a conciliatory reasonableness in explaining that Germany is merely trying to become again a self-respecting nation, equal in station with the other powers. He had no sooner struck at the cause of disarmament, therefore, than he proceeded to address the world by radio and to set forth in rational manner the cause of Germany.

Harking back to Versailles, he said: "The German people destroyed their weapons. Relying upon the good faith of their former enemies, they fulfilled the treaties with really fanatical fidelity. \* \* \* The German people could rightly expect for this reason alone that the rest of the world would redeem its promise in the same manner as the German people. \* \* \* No war can become the permanent condition of mankind. No peace can be the perpetuation of war. \* \* \* The purpose

of Versailles, however, did not seem to be to give mankind a conclusive peace, but rather to keep it in a state of perpetual hatred."

Continuing, he briefly described the sufferings of Germany after the war; he asked credit for having saved Western Europe from a Red invasion; he said he had rescued his own country from "whatever of depravity, dishonor, knavery and corruption had accumulated in our people since the unholy Treaty of Versailles." The note most frequently sounded was "honor and self-respect." At one point he declared: "Declassification to the rank of non-equal membership [in the Disarmament Conference] is an unbearable humiliation for an honoring government." And later: "We all, like every decent Englishman and Frenchman, have done our duty toward our country at the risk of our lives. \* \* \* Having gathered \* \* \* that the great powers are not thinking of genuine equality for Germany at the moment, it is not possible for Germany, so placed in a dishonorable position, to intrude itself upon other nations."

First complimenting the French soldier as an "old glory-bedecked opponent," he then proceeded to proclaim the most friendly feelings for the French people and to express a hope that, "the two peoples could once for all ban force from their common life." This was a clear invitation for Premier Daladier to open private negotiations with Berlin.

The foreign response to Germany's abrupt step was characterized by restraint. In Great Britain, Prime Minister MacDonald made sure that no official criticism would be uttered. France, which had been singled out for a friendly gesture on Hitler's part, was doubtful of the honesty of his intentions. Although some newspapers

of the Left suggested that the government should accept the German invitation to negotiate separately, the organs of the government held that it was a trap intended to sever France from Great Britain and the United States and thus split the united front. Premier Daladier expressed the opinion of most Frenchmen in his speech to the Chamber of Deputies at its opening meeting on Oct. 17, when he said: "We are not deaf to any proposals but neither are we blind to any facts. If an entente is sincerely desired, why begin with a rupture? If it is intended to respect engagements, why oppose their verification?"

Premier Mussolini, who, because of his friendly relations with Hitler, was instantly suspected of having been at least informed of Germany's move beforehand, proved as surprised as any one. Although it had long been said at Geneva that Mussolini was trying to swing disarmament discussion away from the League proposals to his new Four-Power Pact, there appeared no evidence of this. Mussolini remained aloof and did not even offer his services as mediator between Germany and the British, French and American bloc.

The sole murmur of approval that reached Hitler's ears from abroad came from Japan, which could not repress its satisfaction that Germany, a nation many Japanese especially admire, had quit Geneva in the same peremptory manner as did Japan a year ago.

Germany's withdrawal from Geneva, by its instantaneous effect on the gold currencies of Europe, gave fresh evidence of the instability of international finance. The resurrection of the war scare caused francs to fall seven points to 5.61 cents, the lowest since Sept. 9. Dutch guilders went down twenty points to 34.40 cents, Swiss

francs ten points to 28 cents and German marks twenty points to 34.40 cents. On the New York Stock Exchange German bonds, already quoted generally at half or less than half their par value, were heavily sold. In the half day's trading of Oct. 14, the day of Hitler's announcement, German Government 5½s (Young Plan bonds) dropped 4½ points and the 7½s fell 3 points. Private German dollar obligations were borne along in the downward trend, as were most other foreign bonds, and the entire New York bond market, with the exception of United States Treasury issues, showed the depressing effect of the news.

Germany's big guns had been fired on the eve of the convening of the Disarmament Conference proper, scheduled these many months for Oct. 16. Its first session lasted only half an hour. The business consisted of approving a stern reply to Germany's notification of withdrawal. After that it was voted to adjourn until Oct. 26 so that the delegates could "consult their governments."

Norman Davis's instructions have been from the first to concern himself solely with the problem of disarmament without involving the United States in European politics. These instructions he had followed with the utmost discretion. On learning that there was some uneasiness at home over his close alignment with the positions of France and Britain, he issued a clarifying statement to the press: "We are in Geneva solely for disarmament purposes. \* \* \* We again make clear that we are in no way politically aligned with any European power. \* \* \* During this week there will be consultations between the capitals of Europe. We do not wish to take an active part in these,



as the implications are clearly political."

In Washington the American policy was made doubly clear when Secretary of State Hull gave newspapermen an emphatic declaration that the government would remain aloof from the Geneva Conference until and if the direct problem of arms reduction again came to the front. Ambassador Davis decided to remain in Geneva as a neutral observer and to watch developments. His position was made additionally delicate by the wish of the League that the United States continue to exert its influence as a consultative power. It was thought highly undesirable that, considering the nervous state of Europe, the American Government should take advantage of its geographical isolation and retire completely from the field. As Ambassador Davis put it, "the time has come for all of us to keep our heads and use them more than ever."

A survey of Germany's neighbors and the effect Adolf Hitler has had upon them shows the wisdom of Mr. Davis's warning. Denmark, which fears especially for her defenseless southern province, Slesvig, encourages the talk of a Scandinavian military alliance. Central Europe, with the exception of Hungary, which has been sympathetic to national socialism ever since the rise of Hitler, feels that the authority of the League, the chief moral support of small nations, has been destroyed, that Germany has shown herself capable of defying world opinion, and that if she ever dares she will encroach on neighboring territory. Two results of this feeling are apparent—a reinforcement of frontiers and a steady concentration of governmental powers.

That Europe was anxious and overwrought seemed not to worry Adolf Hitler. Rash talk in France of a pre-

ventive war against Germany, starting with the reoccupation of the Rhineland, quickly subsided before the stern realities of the situation. Busy with the approaching election, Hitler contented himself with reaffirming his specific intentions in his first campaign speeches, and formally withdrawing from the League on Oct. 21, just a week after he had proclaimed that intention. Resignation from the International Labor Office on Oct. 24 and from the World Court three days later left Germany's machinery for communicating with the League stripped to the minimum of representation by her Consul at Geneva. Meanwhile, the Disarmament Conference adjourned to Dec. 4.

#### THE LEAGUE ASSEMBLY

An unusually dull and futile meeting of the League of Nations Assembly closed in obscurity on Oct. 11, overshadowed by the discussions upon disarmament. Its most animated and fruitful debate centred on the question of minorities. Two resolutions were introduced in the Sixth or Political Commission of the Assembly. The first, sponsored by the Polish delegate, Count Raczynski, called for the appointment of a committee to draw up a convention guaranteeing the rights of all minorities, whether of race, language or religion. This resolution was rejected.

The second proposal, offered by Senator Henry Berenger of France, reaffirmed a resolution of 1922, which expressed the hope that all members of the League would observe in the treatment of their minorities the same justice and tolerance required by the League Covenant in certain specific treaties. Additional strength was given the original resolution by making such justice and tolerance obligatory, and by providing that any interpretation

which excluded certain groups would be invalid. But the Berenger proposal was eventually so emasculated that it became merely a restatement of the 1922 resolution. Before debate closed, nevertheless, Senator Berenger, as well as the delegates of Great Britain, Persia and Switzerland, had had their chance to tell Dr. Freidrich von Keller, the German delegate, what they thought of the Reich's treatment of its Jews.

The Second Commission achieved more practical results. It agreed upon the creation of an international body to furnish all possible relief to approximately 50,000 German Jewish and political refugees. As sanctioned by the Assembly and submitted to the League Council, the plan calls for a commission of representatives from fifteen countries, most of them neighbors of Germany—the Netherlands, France, Poland, Czechoslovakia, Belgium, Switzerland, Denmark, Italy, Great Britain, Sweden, Spain, the United States, Argentina, Brazil and Uruguay. As a special concession to Germany the commission was officially put outside the sphere of the League and described as autonomous. Except for a loan of 25,000 Swiss francs [at par about \$5,000] by the League Council, the work of the commission will be financed by private subscription. Choice of a High Commissioner to assume the responsibility and most of the labor involved was left to the President of the Council. President Raoul Amador of Panama, after considering several Americans for the post, including Alfred E. Smith and Theodore Roosevelt Jr., appointed James G. McDonald of New York, who for the last fourteen years has been chairman of the Foreign

Policy Association and an energetic worker in the cause of peace.

#### WAR DEBTS

One of Great Britain's most eminent financiers arrived in Washington on Oct. 3. His name is Sir Frederick W. Leith-Ross, his title is Financial Adviser to the British Government, and he came on business. He represented the first war debtor to come at the invitation of President Roosevelt to talk things over. On reaching the capital Sir Frederick found that his host was absent in Chicago addressing the American Legion. When he got down to work with Dean Acheson, the Under-Secretary of the Treasury, it was found, as most people have long suspected, that there is at present no basis of agreement on which the United States and Great Britain can settle the war debts. The British financier's visit was advisable chiefly because on Dec. 15 his government is expected to make another payment on interest and principal; the question has arisen whether it is best to offer another "token payment" then or to suspend all further payments until after the period of depression.

Last June President Roosevelt accepted a token payment by Great Britain of \$10,000,000 on \$76,000,000 due. This December \$117,000,000 falls due. In London financial circles there was a persistent rumor that Sir Frederick would offer a lump sum payment of \$1,000,000,000 to cancel the entire debt unpaid, which amounts now to \$4,465,000,000. Whether the rumor was correct or not, President Roosevelt disclosed that he was not inclined to recommend any drastic sacrifice in the debt when Congress assembles next January.

# President Roosevelt's Gold Policy

By D. W. ELLSWORTH  
*Editor, The Annalist*

By the middle of October it became evident that business activity in the United States was undergoing a serious reaction from the effects of the speculative boom which lasted from April, when the gold standard was formally abandoned, to the middle of July. *The New York Times* weekly business index, for example, which from March 18 to July 15 had risen from 60.0 to 99.0, declined steadily throughout August and September until, for the week ended Oct. 21, it stood at 76.6. Not only had the volume of industrial production and retail trade shown a substantial shrinkage, but commodity prices in general, and farm prices in particular, had failed to continue the spectacular advance which accompanied the devaluation of the dollar over the period from April to July. In these circumstances it was scarcely surprising that the administration at Washington should attempt to devise some new method for raising prices.

Nor was it at all surprising that this latest attempt at business recovery should take the form of an experiment in currency management. As far back as last July, when there were few tangible signs of the impending reaction in business activity, the so-called brain trust at Washington was added to by Professor George F. Warren of Cornell, an outspoken champion of the commodity dollar. With the dollar at the mercy of international speculators in foreign exchange, there developed an increasing impatience among business men generally

with the wide fluctuations which were occurring in foreign exchange rates. England, with far less potential resources at her command than those possessed by American financial authorities, had virtually eliminated fluctuations in the gold value of the pound by the judicious use of her Exchange Equalization Account. There appeared to be no good reason why fluctuations in the gold value of the dollar should not also be eliminated by the same or similar means.

On the evening of Sunday, Oct. 22, President Roosevelt, in the course of a radio address to the American people, made the following announcement: "The United States must take firmly in its own hands the control of the gold value of our dollar. This is necessary in order to prevent the dollar disturbances from swinging us away from our ultimate goal, namely, the continued recovery of our commodity prices. As a further effective means to this end, I am going to establish a government market for gold in the United States. Therefore, under existing law, I am authorizing the Reconstruction Finance Corporation to buy gold newly mined in the United States at prices to be determined from time to time after consultation with the Secretary of the Treasury and the President. Whenever necessary to the end in view, we shall also buy or sell gold in the world market."

The first effect of this announcement was to create widespread confusion. The world's leading economists

confessed a complete inability to understand its meaning or significance. Precisely how, by the purchase of the insignificant amounts of gold produced from day to day by American miners, the general price level in this country was to be raised by any appreciable amount, was a question to which no one could perceive the answer. It was, however, generally admitted that if the Reconstruction Finance Corporation should go into the world market (which would for all practical purposes be limited to Paris and London) and buy gold in sufficient quantities, it might be possible, by forcing a depreciation in the gold value of the paper dollar, to bring about a rise in the paper prices of commodities.

There was also, I think it safe to assert, general agreement on one other important point. If the new gold policy represented merely a method of stabilizing the gold value of the dollar in the foreign exchange market, it would be a highly commendable measure. If, on the contrary, it represented merely a first step toward the managed currency system advocated by Professor Warren, it was bound to be hailed with enthusiasm only by the devotees of inflation. That the measure was in fact widely interpreted as a move toward a managed currency system was made evident not only by the jubilation on the part of inflationists and the concern expressed by the advocates of a return to the gold standard, but also by the course of foreign exchange rates, which, even before the actual beginning of the first announcement of gold prices, began to rise in terms of the dollar.

The actual beginning of the new gold policy occurred on Wednesday, Oct. 25, when the Reconstruction Finance Corporation announced that it would buy newly mined gold at a price of \$31.36 an ounce, which was ap-

proximately 37 cents above the dollar equivalent of the price of gold that day in the London open market. Except for a further depreciation in the gold value of the dollar, however, this offer to buy gold at a price above the world level had little effect of the kind intended. Commodity prices had risen in anticipation of the beginning of the new policy, but once in effect, despite the fact that the announced gold price was advanced every day until, on Oct. 28, it stood at \$31.82, commodity prices made little further headway and in the last three days of October they actually declined. The net result of the new policy was a temporary rise in stock and commodity prices, a fall in the gold value of the dollar, a rise in the world price of gold substantially less in amount than the rise in the price announced by the RFC, a renewed rise in French and Swiss Government bonds and a renewed decline in domestic prices. It was obvious that the scheme was a failure.

Consequently, on Sunday, Oct. 29, at a Presidential conference attended by Professor Warren, Professor James Harvey Rogers, Governor Black of the Federal Reserve Board, Chairman Jones of the RFC, Under-Secretary Dean Acheson of the Treasury and other officials and financiers, it was decided to extend the new policy to include purchase of gold abroad.

I will be seen from Table I, given below, that as long as the RFC confined its offer to the domestic market, the world market failed to follow the rise in the official price, but that after the corporation began purchasing gold abroad the world price rose nearly to parity with the RFC price. It is also to be noted that the final outcome of the new policy, up to Nov. 3, was a depreciation in the gold value



of the dollar to 64.2 per cent of its former value when we were on the gold standard, a figure obtained by dividing the old mint price of \$20.67 by the London market price of \$32.22.

Table I. Official Price of Gold in the United States Compared With Open Market London Price (Dollar Equivalent.)

	U. S.	LONDON.
Oct. 20.....	*\$29.13	\$29.27
Oct. 21.....	*29.01	29.10
Oct. 23.....	*29.59	29.83
Oct. 24.....	*29.80	29.74
Oct. 25.....	†31.36	30.99
Oct. 26.....	31.54	31.03
Oct. 27.....	31.76	31.02
Oct. 28.....	31.82	30.38
Oct. 30.....	31.96	31.52
Oct. 31.....	32.12	31.07
Nov. 1.....	†32.26	31.58
Nov. 2.....	32.36	32.08
Nov. 3.....	32.57	32.22

\*Price announced by the Treasury for purchase of newly mined gold for export.

†Beginning of domestic gold-buying policy by the R.F.C.

‡Beginning of actual purchases of gold abroad.

The effects of the new policy are, however, more clearly evident from Table II.

Table II. Gold Value of the Dollar Compared With Wholesale Commodity Prices  
(Gold Values in Cents)

	In Gold Currencies.*	In London Gold Market.	R F C	Moody's Wholesale Price Index.
Oct. 20...	71.4	70.6	†71.0	121.1
Oct. 21...	70.8	71.1	†71.2	120.9
Oct. 23...	69.8	69.9	†69.9	122.8
Oct. 24...	66.7	69.2	†69.4	122.9
Oct. 25...	66.6	66.7	66.0	125.4
Oct. 26...	66.4	66.6	65.6	124.8
Oct. 27...	67.4	66.6	65.1	126.2
Oct. 28...	66.8	68.1	64.9	125.2
Oct. 30...	66.4	65.6	64.7	125.4
Oct. 31...	65.9	66.5	64.4	123.9
Nov. 1...	64.9	65.5	64.0	123.1
Nov. 2...	64.2	64.4	63.9	123.7
Nov. 3...	64.2	64.2	63.6	124.2

\*Based on average closing quotations at New York of French and Swiss francs, Dutch guilders and Belgian belgas.

†Based on price of gold announced by the Treasury for purchase of newly mined gold for export.

If the new gold policy failed at its inception to bring about a rise in commodity prices, it nevertheless succeeded in raising to a high pitch the controversy which was already raging with increasing intensity over the gold versus an inconvertible or a variable

gold standard. The basic object of the administration at the moment appears to be to drive the gold value of the dollar downward until paper prices in this country have risen to the 1925-26 level and then to do one of two things, namely, either to return to a gold dollar containing a substantially smaller amount of gold or else to institute the commodity dollar advocated by Professor Warren, in which the amount of gold would vary in inverse proportion to an index of commodity prices. The dollar has already been driven down about 35 per cent, but in the meantime wholesale commodity prices have risen only about 20 per cent. To reach the 1925-26 level commodity prices would have to rise about 70 per cent (from last March). The Thomas amendment authorizes the President to cut the gold content of the dollar to 50 per cent of its present legal content. Obviously, on the basis of performance to date, it would take a much greater reduction in the gold content of the dollar to bring about a rise in commodity prices to the 1925-26 level. But Congress meets in January, and there is apparently nothing to prevent legislation reducing the gold content of the dollar to any figure necessary to bring about the desired rise in paper prices.

That is why the latest adventure of the administration in monetary policy has aroused such widespread apprehension and opposition. That is why one authoritative commentator has observed: "That the classes that are being injured by the continued depreciation of the currency have thus far made no active protest can be attributed only to lack of comprehension of the real meaning of the present monetary policy. Experience is a hard school, but in this instance, at least, it is evident that the American public will learn in no other."

products of industry on a fairer exchange basis." Gold-buying, of course, was related to a general monetary policy of "moving toward a managed currency" and of restoring commodity price levels in general, in the interest of industry, greater employment and equitable debt payment, but the farm problem was directly related to the President's pronouncement. (For an analysis of the gold-buying policy, see the article by D. W. Ellsworth on page 333.)

The industrial picture also had less light than shadow. *The New York Times* index of business activity stood at 77.7 for the week ended Sept. 23; for the week ended Oct. 28 the figure was 75.6. About the best that could be said was that the index was higher than a year ago. Steel, which reflects general business conditions with a good deal of accuracy, operated at only 26.1 per cent of capacity for the week of Oct. 30; in mid-July the average was about 57 per cent. Because business reports for the second quarter of 1933 had been bullish, the general decline that set in about the beginning of September was obscured; yet by the end of October the seriousness of the situation was so apparent to the administration that desperate measures seemed likely to be taken to avert a new collapse. For proof one could cite the gold-buying policy.

Though industry and trade lagged, the adoption of the NRA codes of fair competition proceeded, slowly to be sure, and in some instances only after pressure from the highest quarters. The principal code approved during October was that for the retail trade, which was finally signed by the President on Oct. 23. The chief obstacle to its acceptance, a contest over the determination of the price of goods, was settled ultimately by forbidding selling below invoice cost plus

an allowance for store wages. More than 1,000,000 retailers were affected by the code, despite the fact that stores employing less than five persons in towns below 2,500 population were exempt from the code's provisions.

The National Recovery Administration during October was reorganized in five divisions for the more efficient direction of industry. These were: (1) Extractive industries—metals and coal—and automobiles, shipping and related industries; (2) construction and machinery, including lumber and metal products; (3) chemicals, leather and other manufactures; (4) trades and services, textiles and clothing; (5) compliance, handling all violations of the codes. A special division for amusements is to be attached to the fourth division. The NRA has also begun to work out a system of standardized fair-practice regulations; it has tried to coordinate its work with the AAA; and, as a result of pressure from the Consumers' Advisory Board, has furthered the development of industrial standards.

Criticism of the NRA increased during October, to a point in fact where it seemed that a definite campaign of sabotage was under way. Many newspapers reversed their non-committal attitude that prevailed during the Summer and voiced openly, even stridently, opposition to the NRA and all its works. Discussion of the proposed newspaper code gave an opportunity to assail the NRA as a threat to the freedom of the press. Men like George W. Wickersham and James M. Beck attacked the NRA as a violation of the Constitution, while industrial leaders began to make it evident that, constitutional or not, the NRA was not for them. Outstanding among this latter group was

Henry Ford, whose continued contempt for the NRA brought about a decision from President Roosevelt on Oct. 27 that the government would not purchase Ford cars and trucks until the famous manufacturer had adhered to the automobile code. Possibly this action, even if Mr. Ford accepts the automobile code, will lead to a Supreme Court test of the NRA.

Some popular reaction against the NRA is a natural consequence of the ballyhoo that accompanied its launching. To be sure, the educational campaign was all to the good since, for the first time, the American people were introduced to certain economic truths—for example the idea that purchasing power might have some connection with industrial prosperity. Moreover, thinking about economic processes became a fairly general exercise whose effect could not be other than beneficial. Yet, by and large, the NRA officials promised too much; they played on the emotions unwisely and in small towns the whipping up of enthusiasm for the NRA was too strongly reminiscent of a Y. M. C. A. drive for funds. As H. L. Mencken said characteristically, "All the town nuisances were set loose to bore and afflict their neighbors."

Labor, strengthened by the privileges bestowed by the National Industrial Recovery Act, has through a multitude of strikes sought to guarantee these privileges, notably that of collective bargaining. Signs have not been lacking that the public was annoyed by this labor unrest which was in some instances regarded as impeding industrial recovery. Moreover, official pronouncements by President Roosevelt, General Johnson and Senator Wagner warned the workers that the strike was a weapon they would do well to abandon. Yet, Senator Wagner himself stated on Oct. 29 that two-

thirds of the first 100 labor disputes considered by the National Labor Board were concerned with collective bargaining or recognition of employees' representatives. It is difficult to see how labor can be denied the right to insist on enjoying what it is legally entitled to.

The strike which undoubtedly attracted the most attention was that relating to the "captive coal mines," those owned by and producing for the steel companies. Here the issue was principally one of union recognition. The United Mine Workers, at present one of the strongest unions in America, refused all compromise with the steel magnates, the first tenet of whose religion is belief in the open shop. Several times a settlement seemed about to be reached, but not until Oct. 30, after President Roosevelt had intervened in the dispute, did agreement at last appear probable. On that day it was announced that the steel men would recognize the United Mine Workers, concede the check-off, pay wages in cash instead of scrip and no longer require employees to live in company houses or trade at company stores. If accepted by the union, a strike involving 30,000 miners that has lasted for about three months will have been successfully concluded, with the laurels resting on labor.

Improved employment has been one of the cheerful trends of the times. President Roosevelt in his address on Oct. 22 declared that "at least 4,000,000 have been given employment" since March—a total which later the American Federation of Labor accepted as approximately correct.

Nevertheless, the problem of aiding the jobless is as great as, if not greater than, it has been in other years. Harry L. Hopkins, Federal Relief Administrator, estimated on Oct. 11 that

15,100,000 Americans were receiving unemployment relief. He is laying plans to provide for this army for, as he has said, "the Federal Government is not going to countenance relief on a standard so low that the needy unemployed are only a calory or two ahead of the grim reaper. We are going to see that relief is given quickly and on a basis of reasonable adequacy." This Winter, as never before, the Federal Government will be bearing a large share of the relief burden through loans extended to States and municipalities and through the foodstuffs distributed among the destitute. (See November CURRENT HISTORY, page 207.)

A spur to industry and employment that is frequently forgotten has been provided by the Public Works Administration, established by the National Industrial Recovery Act. Allotment of the \$3,300,000,000 at its disposal has moved ahead at a rate which made it seem probable that the entire fund would be allocated by the end of December. One of the more interesting developments during October was the creation of a Public Works Emergency Housing Corporation to build low-cost apartment houses as slum clearance projects.

It has become increasingly probable that President Roosevelt will ask Congress for an additional appropriation to carry on this phase of the recovery program. In such a case it can be safely prophesied that much will be heard about the effectiveness of the measure in stimulating industry and increasing unemployment. The truth seems to be that, even in the beginning, the fund was too small to act as much of a stimulus, especially as the Federal program hardly compensated for the practical cessation of State and municipal building. Moreover, grants have been made slowly, perhaps be-

cause the business revival of last Summer made administration leaders believe that the money would not have to be spent after all. Without minimizing what has been done, it is undoubtedly true that if allotments could have been made in July and August instead of September and October the public works program might have had a greater effect on industry generally.

The railroads, now under closer government supervision than ever, have shown fairly steady improvement in their economic position. During September, according to the Interstate Commerce Commission, 15,344 workers were added to railroad payrolls. Sixteen of the forty-six largest roads in the United States are expected to show net earnings for 1933 and many others will show net operating income considerably above 1932. Joseph B. Eastman, Federal Coordinator of Transportation, and an advocate of a single Federal regulation of all transportation in America, has been studying radical methods for eliminating the duplication of effort characteristic of roads in every part of the country. If his studies lead to action, the roads should find themselves on a still sounder footing.

As a means of aiding both the railroads and industry, Mr. Eastman informed the steel companies on Oct. 3 that the roads were prepared to purchase at least 844,525 tons of steel rail and 245,221 tons of fastenings, contingent upon a suitable price. Funds for the expenditure would be advanced to the roads by the Public Works Administration. Since October, 1932, the price of steel rails had been \$40 a ton, but Mr. Eastman maintained that at \$35 a ton the companies could still make a profit. Late in October, after the steel concerns filed with him a price of \$37.75 a ton, Mr. Eastman charged the steel men with



"prior consultation and collusion" to fix the price of steel rails and rejected the bids. On Oct. 20, President Roosevelt, in "the interest of getting people to work," offered a compromise price of \$36.375 per ton, which was immediately accepted by the steel men.

At the end of the Summer much was heard about the need for expanding commercial credit, either through open-market operations of the Federal Reserve or through release of deposits frozen in closed banks. Each week for eight weeks the Federal Reserve System purchased \$35,000,000 of United States Government securities in the open market, but by the middle of October it had become apparent that no great expansion of credit had resulted. Purchase of securities then began to taper off and a new step was taken. On Oct. 15 it was announced that a deposit liquidation division of the RFC had been formed to release about \$1,000,000,000 of the \$2,000,000,000 tied up in banks that have closed since Jan. 1. The plan was set forth in a letter on policy which stated: "The amount which depositors can be paid will be governed by the amount of money that can be loaned upon a fair valuation of the assets of the bank based on an orderly liquidation of such assets over a period of from three to five years, after reserving only what will appear sufficient to pay taxes, expenses and interest during the liquidation period."

As an aid to both credit expansion and the impending Federal insurance of bank deposits, the government has been urging banks to sell capital notes or preferred stock to the RFC. Such a move would strengthen the capital structure of many banks, permitting greater credit extension, and would place other banks in a strong enough

position for them to participate in the guarantee of deposits. Unless additional capital is secured, thousands of small banks will be unable on Jan. 1 to meet the requirement of the deposit insurance fund that a bank's assets shall equal its liabilities. The banking fraternity as a whole was extremely reluctant to become involved in any such scheme as was proposed by the RFC, partly because it seemed to lead toward greater government control of the heretofore privately owned banks, but pressure from Washington and a realization that in many instances new capital was desperately needed forced capitulation.

The RFC announced on Oct. 13 that it had purchased \$50,000,000 of preferred stock in the Continental Illinois National Bank and Trust Company of Chicago, the fifth largest bank in the country. Two weeks later, after the New York banks had already indicated their willingness to accept the RFC plan, the Manufacturers Trust Company of New York City sold \$25,000,000 in capital notes to the government corporation. Is this the entering wedge of government ownership of the banks? Probably the bankers as well as the rest of the American public would like to know.

Further government interference with what have been considered the traditional rights of the individual is threatened in the pending investigation by the Federal Trade Commission into the salaries paid to executives and directors of all corporations engaged in interstate commerce with capital and assets of more than \$1,000,000. However much industries might resent such an inquiry, there seemed no way of escaping it, especially since it was known that President Roosevelt had been studying possible legislative restriction on high salaries.

Limitation of the salaries of railroad presidents had already been achieved by the Federal Railroad Coordinator, and in hearings on the code for the motion-picture industry it became apparent that NRA officials had little sympathy for the tremendous compensation received by movie actors and executives. Obviously, an attack on the high-salaried class, if carried far enough, would have profound social as well as economic repercussions.

Strict government control of the oil industry was inaugurated by Secretary Ickes on Oct. 16 with the issue of an order fixing the price of oil products throughout the country. The schedule established minimum wholesale and retail prices for petroleum with differentials for various areas. Gasoline prices were regulated on the basis of minimum prices at refineries with differentials for filling-station prices. Three days later Mr. Ickes laid down regulations for the control of oil production in an effort to coordinate supply and demand. Previously he had issued a warning that, if necessary, oil shipped in interstate commerce would be curtailed because, as he said, "there is no use fixing prices unless you keep demand and supply within speaking distance."

From the Senate Office Building in Washington continued to emanate sensations as the affairs of the big bankers and of the shipping companies were probed. Dillon, Read & Co. came through the ordeal without arousing much public excitement. To be sure, it was shown that the firm had made large profits and had floated South American bonds that now are in default, but the public could find little in such a record that was especially reprehensible. On the other hand, investigation of the Chase National Bank of New York and of the operations of its former president, Al-

bert H. Wiggin, brought startling revelations.

Mr. Wiggin admitted that he was receiving an annual compensation of \$100,000 a year for life from the bank, though no longer its head, in return for obtaining depositors for the bank and giving advice on credit matters. Because of the general criticism that immediately arose, Mr. Wiggin later requested the bank to discontinue the salary. Operations in the bank's stock by investment affiliates of the institution were exposed and on Oct. 27 led to a repudiation of that policy by Winthrop W. Aldrich, now president of the Chase. Among other things, Mr. Wiggin was forced to disclose that several corporations which his family controlled operated in the stock of the bank and sold the stock short in the Fall of 1929. Though Ferdinand Pecora, counsel to the Senate Banking and Currency Committee, made no attempt to point up the admissions from Mr. Wiggin, "the record of his transactions," said *The New York Times* in an editorial on Nov. 2, "has brought astonishment and pain to all his friends and former admirers."

The investigation into ocean mail contracts was no less sensational. Senator Black, chairman of the investigating committee, summed up much of the evidence presented when he said "that the ocean mail contract system of ship subsidy as administered during the past twelve years was not for the benefit of the best operators but the best promoters." One of the more interesting disclosures was the offer of the American Farm Bureau Federation to carry on an "educational campaign" among the farmers for an adequate merchant marine, provided the American Ship Owners Association would contribute \$94,750 toward expenses. Even when the price was reduced to \$30,000 the

shipping men were not interested; nor could \$15,000 attract them. Presumably the matter of ocean mail contracts will be further aired when Congress convenes in January.

For an off-year the elections on Nov. 7 held more than usual interest. In first place, as far as the country as a whole was concerned, was the vote for repeal of the Eighteenth Amendment in Ohio, Pennsylvania, Kentucky, North Carolina, South Carolina and Utah. Though the Carolinas had the distinction of voting against repeal, the wet victories in Ohio, Pennsylvania and Utah assured that when conventions in these States have ratified repeal, the noble experiment will have passed into history.

Because of its possible political significance, the Mayoralty election in New York City could not be ignored. The three principal candidates were John P. O'Brien, the Mayor and regular Tammany nominee; Joseph V. McKee and Fiorello H. LaGuardia, Progressive Republican, the candidate of the Fusion party, composed of reformers, independent liberals and Old Guard Republicans. While based supposedly on the issue of honest government, the campaign was fought out principally on the basis of the cries, "You're a liar!" "You're another!" President Roosevelt kept out of the fracas, but the support given by Postmaster General Farley to Mr. McKee made it seem probable that the administration was willing to take a chance on capturing from Tammany the Democratic machine in New York City. Mr. LaGuardia in the end won the election by a comfortable plurality, bringing to an end sixteen years of Tammany rule. While the election could scarcely be interpreted

as a rebuff for the President, Mr. LaGuardia's success may portend the beginning of a liberal movement within the Republican party itself.

#### THE INSULAR POSSESSIONS

Philippine independence seems as far away as ever. After months of political manoeuvring the Philippine Legislature early in October declined to accept the Hawes-Cutting Independence Act in its present form. A new Filipino mission is expected to be sent to Washington to request that the act be amended before it lapses on Jan. 17.

Governor Robert H. Gore of Puerto Rico has discovered that his post is no sinecure. During October he was confronted with a strike in the University of Puerto Rico as a result of his appointment of a Socialist as trustee of the university. Bombs, it was reported, were found in his Summer residence and in his home at San Juan and there have been numerous protests against his handling of government appointments. The trouble, dispatches indicate, arises from the local political situation. The Liberal party, after years of power, has been supplanted by a coalition of the Socialist and Union Republican parties which support Governor Gore. The new situation, according to a Puerto Rican official, "has angered the Liberal leaders, who were accustomed to 'bossing' every Governor. \* \* \* The workingmen and the country people, the great majority of the population of the island, have no interest in these political squabbles. \* \* \* The people are more interested in getting work. \* \* \* For years our people were dying of hunger, with no work to do. Now, under the Roosevelt-Gore program, they are getting work, opening roads, building schools, and so on."

# Minority Rule in Cuba

By J. LLOYD MECHAM  
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DESPITE the many predictions that the Grau San Martin government in Cuba would be quickly overthrown, it continued during October to maintain a precarious tenure of power. It is patently a minority government—a student-army régime. Though it has little support among the Cuban people and is menaced by the paralysis of a general strike, it has rejected all offers of the opposition to assist in forming a coalition that would really represent the sentiment of the country.

The present régime was established in Cuba on Sept. 5, when the Cespedes government was overthrown by a barracks revolution headed by Fulgencio Batista, an army sergeant. The Student Directorate and certain Left Wing professors cooperated with the enlisted men to form a government with Dr. Ramon Grau San Martin at the head. Repeated efforts to induce the student-army government to accept the cooperation of opposing factions to form a national government have all ended in failure. "This government cannot be one of concentration," said President Grau. "It must be a homogeneous government. There are two ways of maintaining power: one by compromise, acting in accord with all sections of opinion, and the other following a straight line. The first is much easier, but the second offers the advantage of a better response to national desires and the dictates of public conscience." As a result, the two powerful opposition groups which were largely responsible for the overthrow of Machado, the

ABC and the Union Nacionalista, are standing aside doing nothing either to oppose or to support the government, confident that its early collapse is inevitable. It is thought that the end will come because of a financial crisis, if not earlier through a military coup.

Revenues have declined so alarmingly that Colonel Despaigue, Secretary of the Treasury, has urged President Grau to declare a moratorium on the foreign debt. Many believe that this is the only measure which, in view of business paralysis and the virtual cessation of tax collections, can avert a financial crisis. Yet the Grau government fears the adverse effect which a moratorium would have on its prospects of American recognition. If the Cuban Government does not soon receive recognition from the United States, which will facilitate the financing of the sugar harvest, the sugar industry will be ruined. Since 80 per cent of the national income depends upon sugar, the failure of the sugar crop this Winter would so seriously reduce the government's revenue that not even a moratorium could enable it to avert a crisis.

President Grau is therefore desperately seeking American recognition. To allay suspicion and distrust he denies alleged radical tendencies. "We are called radicals," he said in a radio broadcast to the United States, "because we wish to give our countrymen a safe and secure feeling of freedom and self-determination; we are called radicals because we are closely following in the tracks of your own National



Recovery Act; we are called Communists because we endeavor to restore the buying power of the Cuban people." In a subsequent statement, on Oct. 28, he said: "I am not in accord with anti-American propaganda, which has almost subsided. It relieved a feeling long suppressed and was directed against certain interests which apparently sustained the Machado tyranny." Regarding communism and fascism he said: "I consider both as thoroughly anachronistic with our social development and ideals."

Washington, however, is reluctant to accept Dr. Grau's assurances that he has the situation well in hand. With due allowance for the victory of the army over the 526 officers in the National Hotel, the putting down of the Blas Hernandez revolt in the interior, and the quelling of Communist agitation (called a "massacre" by the opposition), conditions in Cuba approximate anarchy. Strikes have become so numerous as to be well-nigh general. Business and transport are paralyzed. In the interior many of the sugar centrals are still under the control of workers organized in soviets. In the face of these growing disorders, dissension and division are appearing within the ranks of the student-army coalition. The ABC Radical group, which broke away from the main ABC body to support Dr. Grau, issued a proclamation on Oct. 21 bitterly criticizing the government and asserting that it had failed to establish peace, order, justice and liberty. In the army Colonel Batista, now Chief of Staff, is kept busy suppressing communistic agitation. A fear pervades the island that a schism will occur between the army and the student groups—that when revenues fail and the soldiers can no longer be paid, Grau will go the way of Cespedes.

President Grau restored full autonomy to the National University, by executive decree on Oct. 11. It was to reopen some time in November. The students demanded university autonomy as the price of their withdrawal from politics and return to classes.

#### MEXICO'S SIX-YEAR PLAN

In emulation of Soviet Russia's organized governmental planning, the Mexican National Revolutionary party, in conjunction with committees from the various branches of the Mexican Government, is working on a six-year plan. Through this plan, which will be put in operation after the general elections on July 1, 1934, it is hoped to achieve economic unification and "institutional" government in place of the traditional "personal" government. A major feature of the plan is an attack upon poverty, especially the poverty of the agricultural peon. Consequently, to remedy the debt servitude of the farmer, the National Central Agricultural Bank of Credit will be strengthened and a chain of smaller banks established to afford easy credit to the small farmer. All sales of produce will be handled through cooperatives. "There is no thought," says General Calles, "of aiming to end the private profit system or private initiative in general. On the contrary, the aim is to harness up the selfish motive of gain in such a way as to serve the interests of the country and in particular to increase production."

Mexico is manifesting keen interest in the forthcoming Pan-American Conference at Montevideo. Dr. Puig Casauranc, Minister of Foreign Affairs and head of the Mexican delegation, visited Washington to discuss the problems of the conference with President Roosevelt and Secretary

Hull. Dr. Puig, it is said, sought to have the questions of governmental indebtedness to private investors and the revaluation of silver placed on the agenda of the conference.

Mexico's great interest in the Montevideo conference has commercial as well as political ends in view. It is felt that Latin America, because of its geographical, racial and cultural relationships with Mexico, is a logical market for Mexican staples and manufactured articles.

Autonomy is to be granted the National University of Mexico. President Rodriguez has proposed, and the Chamber of Deputies has approved, an annual subsidy of 10,000,000 pesos to the university. Failure to operate within this budget will result in its return to governmental supervision. Strict government control of the university was held responsible for riotous student demonstrations. The situation became so bad that on Oct. 11 twenty professors of law in the university resigned because of "the lack of discipline and the lowering of the intellectual level of the students and, in many cases, of the teachers also." Autonomy has also been restored to the University of Guadalajara, and it is hoped that this measure along with the election of a new rector, Manuel Gomez Morin, will pacify that institution, where the students rioted on Oct. 24 and ousted the former rector by force.

#### PANAMAN PRESIDENT AT WASHINGTON

In the interest of a better understanding between the United States and the Republic of Panama, President Harmodio Arias of Panama visited President Roosevelt in Washington early in October. Ever since the rejection of the treaty of 1926 by the Panaman Assembly, numerous dif-

ficulties have clouded the relations of the two countries. Basically the problem is that of the position of the United States as a tenant in the Canal Zone. The people of Panama feel that the yearly rental of \$250,000 which the United States pays to Panama is unfair to the "landlord." Moreover, because of the vagueness of the treaty of 1903, the United States is viewed as a tenant that is consistently infringing the terms of the lease. Particular problems which President Arias came to discuss with President Roosevelt were: (1) The extent to which the United States should participate in unemployment relief in Panama because of workmen who lost jobs in the Canal Zone and have become public charges in Panama; (2) sovereignty over New Cristobal, an almost exclusively American community which is administered by Panama; (3) restriction of competition offered to private enterprise in Panama by army commissaries in the Zone; and (4) control of radio, a right which is assumed by the United States.

President Roosevelt and President Arias issued a joint statement on Oct. 17. President Roosevelt promised that the American Government would curtail the practices of the army commissaries which interfere with legitimate native business. He also agreed to ask Congress for an appropriation to repatriate aliens in the Republic of Panama who went there to work on canal projects. These aliens, principally from the West Indies, are estimated to number 50,000. Finally it was agreed that "the government of the United States would view sympathetically any request which the government of Panama might make for the solution by arbitration of any important question which might arise between the two

governments and may appear impracticable of decision by direct negotiation, provided that such question is purely economic in its nature and does not affect the maintenance, operation, sanitation and protection of the canal."

#### *SALVADOREAN PLANS AT MONTEVIDEO*

The government of El Salvador sees in the forthcoming Seventh Pan-American Conference at Montevideo an opportunity to challenge the Central American Treaty of 1923. This so-called non-recognition treaty has restrained the United States, Guatemala, Nicaragua and Honduras from recognizing the present Salvadorean régime, which obtained office through a *coup d'état* in December, 1931. The government of Costa Rica denounced the pact in December, 1932, on the ground that it infringed the sovereignty of the Central American republics. The Salvadorean Government has also denounced the treaty and

hopes through common action at Montevideo to replace it by "a new relationship based on the policy of recognition of all governments, revolutionary or otherwise, as enunciated by Genaro Estrada [former Mexican Minister of Foreign Affairs]."

#### *NICARAGUA TO SEEK MORATORIUM*

Colonel Irving Lindberg, Collector General of Customs and a member of the High Commission of Nicaragua, announced on Oct. 11 that the Nicaraguan Government would seek a temporary moratorium on its bonded indebtedness in the United States and Great Britain. Revenues have fallen to half the 1929 figures and some relief from the amortization charges on the bonded indebtedness of the republic is considered imperative at Managua.

The National Bank of Nicaragua has advanced a loan of \$1,500,000 to the government, and with this timely assistance President Sacasa hopes to balance the current budget.

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## South American Internationalism

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By HENRY GRATTAN DOYLE

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WHEN the record of the year is finally written the last months of 1933 will be noteworthy for unusual activity in the sphere of international affairs in South America. The visit of President Justo of Argentina to President Vargas of Brazil in early October was followed by the assembling in Rio de Janeiro of the conferees concerned in the Leticia dispute. Early November found the League of Nations Commission on the Chaco already in South America, and delegates

on the way from a number of the American States to the Seventh Pan-American Conference at Montevideo.

In economic matters as well, the period will doubtless be significant, whether the question of debts, financing and bond issues is discussed at Montevideo or not. The Washington economic conferences with South American nations are continuing, though reports are not yet available as to the progress made. Discussions of tariffs, control of exchange, trade

agreements and so forth are very much on the tapis.

President Justo, on landing at Rio de Janeiro on Oct. 7, received a welcome comparable to that extended to Theodore Roosevelt. Military and naval forces paid him honor, and there was a great popular demonstration as well. On Oct. 10 an anti-war treaty was signed by representatives of Argentina and Brazil, who were joined by Chile, Mexico, Paraguay and Uruguay, which also accepted the pact. Other treaties signed at the same time dealt with aerial navigation, extradition of fugitives from justice, suppression of smuggling, tourist and cultural exchange and permanent commercial expositions. On Oct. 11, President Justo left Rio for Sao Paulo, where he spent three days, returning to Argentina from the port of Santos on Oct. 14.

Only reports of political disorders occurring or in prospect in the two countries marred the fair skies of the Brazilian's visit. In Argentina, an abortive revolt resulted in many arrests just as the President was leaving for Brazil, while clashes between rival "civic guard" organizations occurred throughout the month. These organizations found their inception in the "Civic Legion" formed by supporters of former President Uriburu after his successful revolution. There are now three such bodies in Argentina—the original Legión Cívica, of conservative, Fascist tendencies; the Socialist Red Guard; and the National Civic Militia of the Radical party, which was driven from power by the Uriburu revolution of 1930, and which has remained a thorn in the side of the Argentine Government ever since that time.

Dispatches to *The New York Times* from Buenos Aires on Oct. 27 and 28 reported that the Vargas régime in

Brazil was facing the prospect of early revolt in the southern States of Sao Paulo and Rio Grande do Sul unless the President indicated what his intentions were as to restoration of constitutional government. Reports of present or prospective difficulties were denied by the Brazilian Information Service in New York, which stated that the new Constituent Assembly elected in Brazil was to meet on Nov. 15 to choose a new President.

#### THE CHACO NEGOTIATIONS

Breakdown of efforts by the ABCP nations to find an acceptable formula for the solution of the Chaco dispute, as reported here last month, placed responsibility for further negotiations in the hands of the League of Nations, which proceeded with its plans for sending a League commission to the Chaco. A Paraguayan proposal for an armistice between the two armies in the Chaco, in order to facilitate the work of the League commission, came before the League's Chaco Committee at Geneva on Oct. 13, but was not acted upon. Bolivia did not support the suggestion.

Recent Argentine and Brazilian efforts to bring about peace in the Chaco have met with no success. The visit of President Justo of Argentina to President Vargas of Brazil was the occasion for resumption of these efforts. On Oct. 11 the Foreign Ministers of the two powers conferred secretly with the Bolivian and Paraguayan Ministers to Rio. Two days later the two Presidents sent a joint appeal to Bolivia and Paraguay, urging them to find a formula for settlement of the war. A formula reported to have been drawn up by the two Chief Executives and presented to the combatants provided for an arbitral court composed of Argentina, Brazil and the United States, to which the



two principals should present within thirty days their designation of the zone subject to arbitration. If they could not agree upon an arbitral zone within thirty days, then the Presidents of Brazil and Argentina were to determine the zone. An immediate armistice was also proposed. The report indicated that inclusion of the United States in the arbitral court was a concession to Bolivia, which opposes Argentina as a member of any proposed tribunal, preferring the United States. On Oct. 25 it was reported that Paraguay would reject the proposed formula, maintaining her previous position in favor of unrestricted arbitration.

Heavy fighting in the Chaco was reported during the latter part of October. Paraguayan reports claimed important gains, including a six-mile advance and occupation of five miles of Bolivian lines, while Bolivians claimed that heavy Paraguayan attacks had been repulsed with severe losses. Fifty thousand Paraguayan troops were reported as engaged. A general Bolivian retirement, especially in the Pozo Favorito, Francia, Zenteno and Pirizal sectors, was claimed in an official Paraguayan communiqué on Nov. 1. It was announced on Oct. 16 that Alberto Salamanca, son of President Daniel Salamanca of Bolivia, had been killed in the Chaco fighting. He had been in the Chaco since September, 1932.

#### LETICIA CONFERENCE OPENS

The conference to settle the Leticia dispute opened in Rio de Janeiro on Oct. 25, having been postponed from Oct. 20 because of the non-arrival of some of the delegates. The opening session was extremely cordial. Afranio de Mello Franco, the Brazilian Foreign Minister, who presided, expressed his belief that a conciliation

formula would soon be found, while the leaders of the two delegations, Foreign Minister Urdaneta Arbeláez of Colombia and Dr. Víctor Maúrtua of Peru, declared their respective countries desired peace in the Amazon Valley.

Peru, according to a report on Oct. 18, invited Ecuador to begin conversations looking toward a settlement of their conflicting boundary claims, but refused to permit Ecuador to send an observer to the conference at Rio. Peru was said to prefer bilateral settlements separately with Colombia and Peru to a general Upper Amazon conference. The Ecuadorean Congress later in the month passed a resolution declaring it would not recognize any agreements reached at Rio de Janeiro without the participation of Ecuador.

#### REMOVAL OF ECUADOR'S PRESIDENT

The Senate of Ecuador, on Oct. 18, unanimously voted to remove from office President Juan de Dios Martínez Mera, thus ending a struggle between him and Congress, which began on Aug. 15, five days after the present session was convened. Ten minority members of the Senate, who had supported the President, did not attend the meeting at which the removal was voted, all twenty-two members present voting in favor of the resolution. Premier Abelardo Montalvo became Acting President.

Final action in the controversy followed a series of events which in the main were a repetition of those of August and September. The Cabinet appointed by the President on Oct. 8 resigned on Oct. 10. In the meantime, the Chamber of Deputies had considered impeachment charges against the President, forwarding them to the Senate on Oct. 10. The impeachment

trial itself lasted for eleven hours, was held in secret and was attended by a group of army officers also pledged to secrecy, according to reports, while troops known to be loyal to Congress guarded the legislative palace to prevent a *coup d'état*.

According to reports on Oct. 27, the Provisional President was having difficulty in forming a Cabinet because of fears on the part of prospective appointees that they would be rebuffed by Congress. On that date only two Ministers were reported as willing to serve. On Nov. 1 Deputy Velasco Ibarra announced his candidacy for the Presidency.

#### DISORDERS IN PERU AND URUGUAY

The harmony reported as prevailing in Peru under the conciliatory régime of President Oscar P. Benavides was shattered by the announcement on Oct. 22 that assassins had planned to take his life. Eight persons,

one a German citizen, were reported to have been arrested after the explosion of a bomb which the conspirators were testing outside Lima. During the preceding week twenty persons were arrested by the police, who also seized a quantity of explosives. On Oct. 24 a decree was issued forbidding all public meetings not approved by the government forty-eight hours in advance.

Uruguay likewise suspended the constitutional right of assembly by decree of President Gabriel Terra on Oct. 26, following the death of a former opposition Deputy and the wounding of two others while resisting arrest by police. Meetings of political opponents of the President have been causing unrest leading to crimes, according to the decree, which promises that the prohibition of public gatherings will be lifted whenever the government thinks the time has come for the parties to initiate the campaign for the election of a President under the new Constitution.

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## The Dilemma of British Policy

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By J. BARTLET BREBNER

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THE United Kingdom has for about a century attempted to pursue two different policies, that of a European country and that of a world-wide empire anxious for friendly relations with the United States. The dilemma thus set up has been accentuated by recent events to the point of dividing the nation, not only in a general sense but in several particular issues as well.

A most striking instance of this has been seen during October in the

possibility of war as an outcome of recent European events and broader international changes. The Labor party at its conference unanimously accepted Sir Charles Trevelyan's motion to boycott war, even to the extent of resorting to a general strike. At the same time Lord Lloyd was carrying a motion at the Conservative party conference which recorded "grave anxiety over the inadequacy of imperial defense." A number of other Conservatives and naval

men struck for increased naval building while the iron was hot and Walter Runciman joined their chorus. The press barons, Rothemere and Beaverbrook, tried to fish in the troubled waters by demanding that Great Britain denounce her Continental obligations, notably Locarno, and concentrate on her empire. Mr. Baldwin announced that what Britain had signed she would observe. Labor asked whether that included the Kellogg pact. Finally the question became the transcendent issue in the East Fulham by-election, a solid Conservative constituency, and Labor by effecting a turnover of 15,000 votes won a mandate for its pacific policies. That mandate also figured largely in the municipal elections on Nov. 1 when Labor made substantial gains.

Almost as striking, although much more intricate and limited in its scope, was the matter of currency fluctuation and war debts. Great Britain has been determining the price of gold in the London market by reference to the French franc, and it was reported that much of her ear-marked gold in New York had been going to Paris to support the franc in the face of American dollar depreciation. At the same time a British mission in Washington was trying to close a bargain on the war debts, coupling with it, according to rumor, stabilization of the dollar-pound relationship. Into this situation President Roosevelt projected his scheme of buying gold above the London rate, first at home and finally abroad.

Great Britain wanted a debt settlement, a pound depreciated from 5 to 10 per cent from the dollar, and a gold franc. The United States, seeking to raise domestic prices and to bring the pound to its \$4.86 parity, was not so greatly concerned about the debt settlement or the franc. It was reported

that England and France bought dollars to prevent Roosevelt's gold purchase scheme from depreciating the dollar, but it seemed more likely that exported American funds were being repatriated from a war-threatened Europe.

Anglo-American and British imperial relations were complex in themselves, quite apart from their clash with Anglo-European interests. The Argentine commercial treaty became a reality on Oct. 19, when British investors took up over £13,000,000 of a 4-per-cent sterling loan to release an equal amount of "frozen" credits in Argentina. At the same time it was revealed that under the treaty Argentina bound herself to keep "frozen" the credits of other countries—including the United States and Canada—until they, too, made loans. British loans were not to be used to pay American credits. On the imperial side there were rumblings for and against the working of the Ottawa agreements and the British tariffs, notably concerning Canada's anxiety to cut down British imports of Russian wood products and the increasing difficulty of breaking through the tariff barriers which accompanied the British Agricultural Marketing Act. The Milk Board started its operations in October; wheat is already protected by tariffs; and schemes for pigs and potatoes are nearing completion.

Meanwhile domestic economic recovery has become distinctly more marked. Practically every branch of production reported increases and even the decline in cotton textiles seemed to be checked. At long last, retail trade showed an increase over 1932. The amount of idle shipping was reduced. Sheffield hardware enjoyed a boom because of boycotts on German goods. Unemployment fell by 74,410 in September to a total of 2,336,727, a

reduction of 521,284 during 1933. The boys and girls leaving school were finding work, for an increase during 1933 of 792,000 at work raised the total of insured employed to almost 10,000,000. The insurance fund for the period since March showed a credit surplus of £3,500,000.

The national revenue position was better than for years, for the deficit on Oct. 31 was about £59,000,000 instead of £96,000,000 in 1932 or the normal in good years of about £70,000,000. On Oct. 3, £150,000,000 of  $4\frac{1}{2}$  per cent obligations were converted to  $2\frac{1}{2}$  per cent long term. The foreign trade figures showed that Great Britain was partially regaining her old position. Exports and imports as compared with 1932 were £35,620,000 (£29,130,000) and £57,770,000 (£54,267,000) and the rise was regarded as being particularly healthy because the added exports were manufactured goods and the imports raw materials. Mr. Runciman announced that in the new trade treaties particular efforts will be made to widen foreign markets for English cottons.

#### IRISH POLITICAL UNREST

Recent events in the Irish Free State have forced President de Valera to recognize that his is the middle position, with the Irish Republican Army to the Left and the United Ireland party to the Right. He has been driven to show overt interest in the regular army and police and to issue clear warning to both groups of extremists that the government would use its force to curb their resort to it. This situation has revived the belief that a general election will be held soon to secure a mandate for forcible preservation of order. The local elections usually held in November have been postponed until July. [For a general picture of the Irish situation, see

the article by Denis Gwynn on page 315.]

The Senate on Oct. 31 passed the act abolishing the right of appeal to the Privy Council, but the program of legislation designed to break all ties between the Free State and Great Britain is not yet complete. The Dail was to meet again on Nov. 15.

#### CANADIAN REVIVAL

Canada's mines and forests have recently more than made up for the deficiencies of her prairie farms. Canada depends for her economic strength upon her export trade, so that the world surplus of wheat, its low price and the abnormally small harvest of 1933 were serious blows. Yet advancing commodity prices and economic revival elsewhere have been steadily raising the value of Canadian exports. Moreover, increased demand in Europe and the Orient for Canadian nickel and copper and in the United States for nickel and wood products has strikingly altered Canada's trading position. In September, for instance, as compared with 1932, exports amounted to \$57,785,000 (\$42,187,000) and imports to \$38,698,000 (\$34,504,000.) The favorable balance, a climax to a total for the preceding twelve months of \$114,000,000, had beneficial effects upon the value of the Canadian dollar and upon government revenue.

The broad economic picture, however, was necessarily spotty. The farmers were badly off, for, even with government support, wheat dropped at one time to 55 cents a bushel and recovered only to about 61 cents. Seasonal influences and some overproduction cut into industrial activity and employment. The paper industry, on the other hand, received a new lease on life when the Canadian producers came, as it were, under the NRA. At a



conference in Washington a price armistice of three weeks at \$41 a ton was concluded on Oct. 24 on the understanding that a code would be drawn up and that in the meantime the Canadian producers would do what they have hitherto failed to do during the depression—form a trade association for self-regulation.

The unemployment relief situation remained serious and promised to be worse during the Winter, but an agreement was reached for a modified public works program under which the Dominion would meet one-third of the labor costs of municipal and provincial projects. In addition, work camps of various sorts were to be established throughout the Dominion, providing lodging, sustenance and a small daily money allowance.

Canadian exchange remained to a considerable degree at the mercy of Great Britain and the United States; yet the result was not unfavorable to Canada, since practical parity existed among the three. The Dominion felt reassured when \$169,000,000 of 5½ per cent tax-free bonds, \$40,000,000 of short-term obligations and \$16,000,000 of new borrowing were oversubscribed in a long-term conversion loan carrying about 4 per cent. Canadian gold producers were cheered by President Roosevelt's policy of purchasing gold abroad at a rate above that in London, since it was suggested that the United States could avoid difficulties with Great Britain and France by buying gold in Canada. Though the report of the MacMillan Commission on banking has not been made public, Premier Bennett, in a speech at Winnipeg on Oct. 11, seemed to indicate his conversion to the idea of a Canadian central bank.

The Tariff Board, after involved hearings on application from the British woolen manufacturers, has ruled

out jurisdiction over customs administrative regulations. In the last five years these have grown to be both extremely discouraging and occasionally unpredictable to importers, and in addition to the British protests against them a joint report from the Chambers of Commerce of the United States and Canada recommended extensive simplification and elimination.

Three federal by-elections on Oct. 23 illustrated in New Brunswick, Quebec and Saskatchewan the natural trend away from the Conservative party now in power. The Liberals captured all three seats, and the reversal in New Brunswick was particularly notable. Coupled with the Liberal landslide in the Nova Scotian provincial elections, these victories greatly heartened the Opposition.

#### AUSTRALIA'S REWARD

Prime Minister J. A. Lyons of Australia introduced at Canberra on Oct. 4 the budget for 1933-34. With a surplus in hand of £3,546,000 instead of a deficit, he felt entitled to remit £7,350,000 in direct and indirect taxation for next year and to increase pension and civil service salary rates. Instead of accepting the scheme submitted by the Tariff Commission for a general tariff structure, with reductions and exceptions to meet the spirit of the Ottawa agreements, he preferred reductions in the present prime duties and tariffs totaling about 17½ per cent on goods entitled to admission under the British and Canadian preferential tariffs.

#### THE NEW ZEALAND TARIFF

The New Zealand Government is still feeling its way in domestic finance and tariff revision in the spirit of the Ottawa agreements. The Tariff Commission, which has been hearing representations from British export-

ers and collecting evidence in New Zealand, has so far set forth no policy. The farmers would like tariffs reduced as a lever against British quota restrictions on their products, but the tariff revenue is an important element in the national budget. On Oct. 5, £5,000,000 in 5 per cent bonds was converted to 3½ per cent in London.

#### SOUTH AFRICAN FUSION

General Hertzog, Prime Minister of South Africa, invaded the Congress of the Cape Nationalists early in October in an effort to overcome the movement there headed by Dr. Malan, which objected to a fusion with the South African party. After a plain-spoken debate Dr. Malan's faction was victorious and promptly transferred its activities to the Orange Free State Nationalist Congress. Relations between Hertzog and Smuts remained sympathetic, and fusion seemed to be real enough to postpone the necessity of a general election. The South African Government converted, on Oct. 10, £13,000,000 maturing 5 per cent bonds to 3 per cent in London.

#### INDIAN SELF-GOVERNMENT

The Joint Select Committee on Indian constitutional reform recommenced its sessions on the White Paper on Oct. 3. Almost continuous meetings were held in order to do as much as possible before Parliament reassembled on Nov. 7, when it would be necessary to reconstitute the committee. A number of Indian delegates were not in attendance, a circumstance which somewhat reflected Indian fears that the Conservative government means seriously to modify the White Paper scheme. For the sixth time the Conservatives debated the question at their party conference at Birmingham on Oct. 6 and the Die-

Hards were defeated (737 to 344) only after Neville Chamberlain had said that the government would treat the vote as one of confidence. It was notable that the party opposition had gained in strength since the last vote in June, 1933.

#### THE INDO-JAPANESE CONFERENCES

Confusing reports have been received concerning the negotiations in which India, Great Britain and Japan are taking part on Indian tariffs on cotton goods and purchases of Indian raw cotton. Presumably the reason is that there were several conferences—one between Indian and Japanese governmental delegations at Simla, which began on Sept. 22, one between Indian and Japanese trade delegations at Delhi, one between Indian and British trade delegations at Bombay and one between Japanese and British trade delegations in India, preliminary to a general trade conference that is being planned between the two countries in London.

Japan began the protracted negotiations with the advantage over India, because her boycott of Indian raw cotton had been an effective counter to the raising of the Indian tariff on Japanese cotton goods. After a month of deadlock, however, the announcement of the Russo-American *rapprochement* brought prompt Japanese acceptance of an Indian import quota on cotton goods and a promise to purchase a quota of Indian raw cotton. Details were lacking, but early in November it was reported that the Delhi trade conference was still disputing the character and particulars of the settlement. Meanwhile, the Bombay and Lancashire mill owners had reached agreement for preferential tariffs on British cotton goods in return for increased British purchases of Indian raw cotton.

# France Changes Premiers Again

By GILBERT CHINARD

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ALL the efforts of the French Cabinet headed by Premier Daladier to balance the budget proved futile in face of the Socialist opposition to salary cuts for civil servants. After fighting strenuously for his financial policies for three days, while the Chamber of Deputies was surrounded by police, M. Daladier failed to obtain a vote of confidence, and on Oct. 23 placed his resignation in the hands of the President.

The defeat of the Cabinet resulted from the refusal of Léon Blum, the Socialist leader, to endorse the proposed economies in combination with the loss of support from the Centre. After warning the Chamber that failure to balance the budget would mean inflation "within five or six weeks" and calling attention to the fact that 200,000,000 gold francs had been withdrawn from the Bank of France on the day before, M. Daladier in a last effort to conciliate the Socialists accepted a compromise on his original proposal to cut civil service salaries by 10 per cent. At the last minute, however, M. Blum refused to accept the compromise, and the Cabinet was defeated by 329 votes to 241.

As soon as the plans of Finance Minister Lamoureux became known they met with violent opposition in many quarters. Admitting a deficit of 6,000,000,000 francs, a very moderate estimate according to some experts, the government proposed to save 2,500,000,000 francs through economies and to raise an equal

amount through new taxation and stricter enforcement of existing taxes. About 800,000,000 francs were to be raised through the minting of new money, nickel coins and new five-franc silver pieces; a saving of 1,300,000,000 francs was to be effected by a reduction of 5 per cent in government salaries and pensions above 20,000 francs; administrative expenses in all departments of the government had already been drastically reduced during the Summer by a special commission. All these measures were fiercely opposed by the Socialists as well as the unions of school teachers and postoffice employees. The proposed tax on the sale of armaments, which was to bring in a revenue of 65,000,000 francs, was considered by the Socialists a poor substitute for the State monopoly they advocated.

Equally unpopular were the new taxes proposed by the government. It was pointed out that incomes had constantly decreased in recent years, the total number of taxable persons having fallen from 2,813,000 in 1928 to 2,080,000 in 1932, and that the amount of income was less in the upper as well as in the lower brackets. The new tax of about 15 cents per gallon on gasoline and all motor fuels was sharply criticized as making the use of automobiles practically prohibitive. Finally, it was urged that industry would be deprived of a large amount of working capital by the deduction at the source of a 15 per cent tax on coupons of French and foreign

bonds and on stock dividends, while Treasury and State bonds were exempted. On the whole, while M. Lamoureux had attempted to give some satisfaction to the Socialists and to the Centre, he succeeded only in arousing antagonism in both quarters.

The lack of any definite majority in the Chamber made the task of forming a new Cabinet a very difficult one. On Oct. 25, Albert Sarraut, Minister of Colonies in the Daladier Cabinet, was asked by President Lebrun to assume the responsibility. He accepted next day. After failing to secure the cooperation of the dissident Socialists headed by Renaudel and Pierre Marquet, M. Sarraut decided to reorganize the preceding Cabinet practically without change. The Finance portfolio was taken by Senator Abel Gardey, an expert on financial questions, and Charles Delesalle replaced Pierre Cot as Under-Secretary of Air. It was hoped that M. Sarraut, a member of the Left Democratic party in the Senate, and nominally a Radical-Socialist but in fact an independent, would be able to obtain the full support of the Radical-Socialists and the Centre, thus forming a majority which would not have to depend on the support of the Socialists; but political experts did not predict a long life for the Sarraut Cabinet.

Born at Bordeaux in 1872, M. Sarraut was elected to the Chamber of Deputies in 1902 and has served in a dozen French Cabinets. He owns and publishes with his brother Maurice an important provincial paper, *La Dépêche de Toulouse*. He was twice Governor General of Indo-China, where his administration was remarkably successful. He accompanied Briand to the Washington Conference on limitation of naval armaments in 1921. After Briand's departure he remained in charge of the delegation and had

to bear the brunt of the discussion which followed. He is an expert on naval and colonial questions, but in the past has paid little attention to financial problems.

Earlier in October, the annual Congress of the Radical-Socialists was held at Vichy. In the absence of M. Herriot, then seriously ill, the delegates failed to take a firm stand on a number of important questions. They went on record as unequivocally against inflation, but did not recommend any specific measures to balance the budget. They denounced Hitlerism, but at the same time they recommended the adoption of such a *modus vivendi* as would prevent another war and opposed any increase in armaments. Neither the attitude of the congress, nor the speeches delivered in the Chamber of Deputies during the discussion of the budget gave any indication of the course to be followed by the new government. Caught between the civil servants, who oppose any reduction of their salaries, and the taxpayers, who seem to have reached the limit of their taxable capacity, the government is facing a deficit which increases every day. All agree that drastic remedies must be resorted to, but so far no program has been found that could be expected to receive a majority vote in the Chamber of Deputies.

During August tax returns were nearly 136,000,000 francs under the budget estimate. Direct taxes were almost 70,000,000 francs below the returns for the same period of last year. Indirect receipts during the first eight months of 1933 showed a deficit of 1,175,000,000 francs, and it was expected to reach 1,500,000,000 francs before the end of the year.

For the first nine months of this year imports exceeded exports by



8,136,344,000 francs, the totals being, imports, 21,607,508,000 francs, and exports, 13,472,164,000 francs. These figures alone would explain the attitude of the chambers of commerce and trade associations in protesting that new taxes on manufactured goods would force French industrialists out of business.

In spite of the rise of Hitlerism and a great deal of war talk, French public opinion does not appear to have been seriously alarmed by developments in Germany. The reduction of military service to one year has been offset by the building of new fortifications on the eastern frontier. According to figures issued by the Foreign Office, the army in France numbers 362,167 effectives, not including auxiliary forces and a colonial army which bring the total to 651,185. Germany was estimated by the Foreign Office to have 100,000 in the regular army and auxiliary forces, such as militarized police and storm troops, making up a total of 750,000. In the circumstances, however, the almost unanimous opinion of the French, with the exception of the Socialists, seems to be that no further reduction in armaments ought to be proposed. On this point it was expected that Premier Sarraut would follow the same policy as his predecessor.

The French public has been much concerned with international finance. In view of the gold-buying policy recently adopted by the American Government, there was real concern at first lest France should be forced off the gold standard she has so jealously maintained. Particularly strong has been the fear that foreign investors might attempt a wholesale repatriation of their capital. Although there is no precise data available on the amount of foreign investments in France, estimates range from 8,000,-

000,000 to 40,000,000,000 francs. But it was pointed out in Paris that the franc is still amply protected. On Oct. 12 the gold reserves of the Bank of France amounted to 82,037,000,000 francs. Since that date, and especially during the Ministerial crisis, withdrawals of gold were heavy and amounted in all to 750,000,000 francs. This loss was ascribed to internal conditions, however, and not to the effects of President Roosevelt's policy. While admitting that the policies of the American Government may have some effect on the franc, the view generally held in financial as well as political circles is that the gold standard would be in no danger if the budget could be balanced.

#### *BELGIAN-GERMAN RELATIONS*

Belgium's business relations with Germany showed a noticeable improvement during October. Germany agreed to pay in Belgian francs three-fourths of the sum due for German marks held by Belgium after the armistice, the balance to be repaid in kind. The German Government suspended payment on this debt last Spring. In return for this settlement, it is assumed that Belgium has made some concessions in the new commercial treaty now being negotiated with Germany.

Belgian middle-class taxpayers organized a huge demonstration in Brussels to protest against excessive taxation. Their attacks were aimed at imposts on the necessities of life, such as bread and milk, and at new expenditures on armaments. Nine provinces sent large delegations. It is felt, however, that the appropriations for national defense have met with popular approval, and that the fortifications already undertaken have greatly allayed the fears of the Belgian people.

# Hitler Stages an Election

By SIDNEY B. FAY

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THE general policy of the Hitler régime was to be put before the German people on Nov. 12 when elections were to be held for a new Reichstag and a plebiscite taken on Nazi accomplishments at home and abroad. The call for the election was issued almost simultaneously with Germany's sudden withdrawal from the Disarmament Conference and the League of Nations. (See Professor Nevins's article on page 327.) In the national plebiscite the people were to vote "Yes" or "No" on the question, put to them in the familiar and affectionate form: "Dost thou, German man, and thou, German woman, approve the policy of thy government, and art thou ready to declare it as the expression of thy own belief and thy own will and solemnly confess thyself in its favor?"

Immediately the Chancellor, his Ministers and the whole propaganda machine of Dr. Goebbels began an active campaign in defense of the government's policy in order to roll up a gigantic and impressive vote of endorsement. The speeches emphasized Germany's honor, solidarity and rightful claim to be treated as an equal among the great nations. At the same time they stressed Germany's realization of the horrors of the last war and her desire for peace; they insisted that Germany had no warlike intentions; that she was ready to observe all her treaty obligations, although she would sign no conventions in the future which implied her position of inferiority and

that she would always be ready to hold out a friendly hand and scrap, on a basis of equality, any and all weapons in the same proportion as other nations.

The election of a new Reichstag was something of a farce, as far as being an expression of the political views of the German people. There existed only one party, the National Socialists, all the other parties having been crushed out of existence or "coordinated" with the National Socialists. There was only one list of candidates—that headed by Hitler, Goering, Goebbels, Hess and other prominent Nazis, together with some others who have thrown in their lot with the Nazis, like von Papen, Seldte and Hugenberg, whom the Nazis still regard as desirable allies. The only question about the outcome of the plebiscite and the election was how many persons would feel latent doubts about the present régime and how many of these would have the courage either to stay away from the polls or to vote "No" on the plebiscite. Such a national poll indicates how far Germany has moved from true Democracy.

As further evidence of its pacific intentions the German Government on Oct. 20 ordered the confiscation of Professor Ewald Banse's book, *Military Science*. The book is decidedly militaristic and has been much quoted abroad as an indication of the bellicose views of the present régime. Professor Banse's premise is that war is inevitable and that therefore it is imperative to know as much about war-

fare and be as efficient in its practice as possible. The mind of the nation from childhood onward, he holds, must be impregnated and familiarized with warlike ideas. In confiscating the book, the political authorities insisted that Dr. Banse's ideas did not correspond with those of the German Government and should be regarded merely as his private opinion. This disavowal followed close upon the heels of the official prohibition of two songs which have been popular with the Nazis and with German jingoes: "We Shall Fight and Conquer France" and "German People, To Arms!"

That the Nazis really fear, or affect to fear, air raids upon Germany was indicated by a decree of the Finance Minister of Oct. 19. By this decree all money expended by private individuals or firms for protection against air attacks can be included in deductions in income and corporation tax returns.

#### A PEASANT ARISTOCRACY

Much has been written and spoken during the last months in Germany about the value of the peasantry as the backbone of the nation's economic strength and a safeguard for her racial purity in the future. A new slogan, "Blood and the Soil," has taken the place of Bismarck's "Blood and Iron." To make the peasant conscious and appreciative of the high regard in which he is held by the present régime, a great Thanksgiving Harvest Day was held on Oct. 1.

Next day an important decree was issued to create a "peasant aristocracy." It provided that peasant homesteads of not more than about 300 acres are to pass undivided to the principal heir. This is to prevent the excessive division of holdings among too many children, which results in farms too small for the adequate

nourishment of a peasant family. The younger heirs are to be educated for business or the professions by the family funds, or if there is not enough for them and they cannot find support for themselves they may return to the homestead as a refuge home and share in its work. But there will be no division of the land.

The law also aims to take the peasants "out of the capitalistic system" and to protect them from the exploitation of money-lenders and the middlemen who have heretofore bought their crops. It provides that peasant owners cannot be dispossessed for debt, and that their entire property, including their crops, is exempt from seizure by private creditors.

The law also provides that the new peasant aristocracy must be "Aryan." They must prove that their families have been free of Jewish or Negro blood since Jan. 1, 1800.

#### STATE-CONTROLLED PRESS

A National Press Law of Oct. 6 made sweeping regulations affecting journalism in Germany. Journalists, like lawyers and doctors, are to satisfy severe State requirements before being allowed to practice their profession. In the future no one may be a journalist unless he is of German nationality, of "Aryan" descent and not married to a "non-Aryan," at least 22 years old, professionally competent and technically trained. All journalists are to be gathered together into a new association, the head of which is appointed by Dr. Goebbels.

The law describes in general the spirit in which journalists are to write. They must exclude from their papers anything that mixes selfish aims with aims of public policy in such a way as to mislead the public; anything calculated to weaken Germany at home or abroad, to weaken

the will to unity of the German people, the national defense or culture, or to hurt the religious feelings of others; and anything that unjustly injures the honor or welfare of another, does him harm in his occupation, or makes him ridiculous or contemptible.

#### *THE REICHSTAG FIRE TRIAL*

The German Supreme Court Senate which has been conducting the trial of Marinus van der Lubbe, Ernst Torgler and three Bulgarians for setting fire to the Reichstag Building moved in the middle of October from Leipzig to Berlin. It wished to view the scene of the crime and to have reenacted some of the episodes which have been alleged to have been seen by witnesses. This examination on the spot disposed of a good deal of contradictory and unreliable evidence. It was clear that the story that van der Lubbe was accompanied by another person in climbing into the Reichstag window and in carrying firebrands through the building rested on an optical illusion or too vivid an imagination. All the evidence of the foreign jurists that quantities of inflammable material were smuggled into the building, presumably by Nazis, and that some of it was still seen lying about as the fire was extinguished, was discredited by the testimony of the Reichstag employees. They all vigorously denied the charge made abroad that they were sent home early on the day of the fire.

The famous underground tunnel leading from the Reichstag Building to the residence of its president, Captain Goering, was solemnly inspected by the judges and newspaper correspondents. It was through this tunnel that Nazis are alleged to have entered and retreated in their work of setting the fire. The weight of the testimony of the employees was that

this was impossible: footsteps would have been heard; the passage was kept locked, though some days earlier footsteps had been heard and paper seals pasted over the doors had been broken. The Nazis who have been charged with having set the fire produced alibis showing good reason to believe that they were innocent.

One important point on which there was conflicting evidence was whether van der Lubbe would have been able, alone and merely with a little kindling material, his own clothes and some linen found in the building, to have set so big a fire. Must he not have used benzine or some other highly inflammable liquid or some incendiary chemical? Some experts gave their view that such must have been the case. One or two witnesses declared that they smelled benzine or some similar substance. But the majority of the testimony was against the theory that the Dutchman was assisted by others and that incendiary material other than what he described was used. Supposing that he had accomplices and some incendiary liquid, the question would still remain whether his guilty associates were the Communists on trial with him or whether they were Nazis, as was implied, though not proved, by the foreign jurists.

#### *FOREIGNERS IN GERMANY*

Roland Velz, an American citizen who has resided for several years in Germany, was struck a couple blows in the face by a Nazi storm trooper in Duesseldorf on Oct. 8 because he did not salute the Nazi flag in a passing parade. This increased to more than a score the number of cases of American citizens who have been mishandled in Germany since the Nazis obtained power.

Ambassador Dodd promptly lodged



a vigorous protest with the Foreign Office, received apologies and the promise that the assailant would be brought to justice. The promise was kept. The storm trooper who struck Mr. Velz was immediately arrested and sentenced to six months in prison, a fact which was published in the German papers. At the same time Hermann Goering, Prussian Minister of Interior, issued a vigorous circular to all the Provincial Governors and police officials warning them that foreigners must be treated in a friendly manner; that attacks like that on Mr. Velz injured Germany's credit and caused serious foreign complications, and that "it is the duty of all authorities to give unmistakable instructions to their subordinates to afford all foreign citizens the necessary protection in every respect."

Late in October Noel Panter, a British newspaper correspondent, was arrested in Bavaria and charged with spying and treasonable activities. After the case had aroused great in-

terest in England, Mr. Panter was released for lack of evidence against him and expelled from Germany.

#### NAZI ACTIVITIES IN AMERICA

When the United German Societies of New York City planned to celebrate German Day, on Oct. 29, protests became general that the meeting would be used for Nazi propaganda, especially as one of the speakers at first proposed was Heinz Spanknoebel. The latter had been suspected of being a paid Nazi agent employed to spread propaganda in the United States. After hearing much evidence on both sides Mayor O'Brien refused to allow the meeting to take place on the grounds that it might threaten public order. Subsequently, a warrant was issued for Herr Spanknoebel's arrest on the charge of acting on behalf of a foreign government without giving due notice to the American State Department, but before the warrant could be served Herr Spanknoebel had disappeared.

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## Italy's Eleventh Year of Fascism

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By WILLIAM E. LINGELBACH

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ALL Italy celebrated on Oct. 28 the eleventh anniversary of its Fascist régime with enthusiasm and spontaneity. Addresses, military parades and displays, athletic contests, the inauguration of public works, monster demonstrations, concerts and fireworks continued through the entire day and well into the night. Premier Mussolini himself took an active part. After a vigorous address to 20,000 war veterans drawn up before the Piazza Venezia in which he declared

that it was his firm resolve to give "the Italian people the hard but glorious task of securing first place on the earth as well as in the sky," he called on all "to make this certainty the unanimous will of the Italian people." In a special message to the Fascisti, which was read as a part of the celebration of the day, the Black Shirts were urged to continue with increased zeal to advance the prestige of the party.

Vast programs of public works, in-

volved the expenditure of many millions, were officially inaugurated, while others recently completed were officially taken over by the authorities. Notable among the latter was the Cremona-Piacenza railroad, built at great cost and labor through the difficult mountain region to link the lower Po valley with the Ligurian coast. In Rome Mussolini opened the network of new streets in the Palatine district and inspected the archaeological section of the city. The great reclamation and drainage projects in Tortona, which have given employment to thousands in the district, were featured among those to be continued throughout the coming year.

The Italian press has featured the prominent rôle played by Mussolini in international affairs, calling attention especially to the signing of the Four Power Pact, and the visit to Rome of an unusual number of eminent foreign statesmen like Prime Minister MacDonald, Norman H. Davis, Arthur Henderson, Herr von Papen and Chancellor Dollfuss. Added to this was the reunion of Habsburg imperialists in connection with the negotiations for the marriage of Otto, the young pretender to the Austrian throne, and the 18-year-old daughter, Maria, of Victor Emanuel III.

By way of again stressing the importance of his population program, Mussolini in the *Popolo d'Italia* took the Fascist press to task for its bombastic boastings over the nation's birthrate. The article pointed out that by comparison with the millions of Slavs and Teutons, Italy with its 42,000,000 was far behind, and that its birthrate, like that of other countries of Western Europe, was declining. In 1924 the number of births was 1,124,470; in 1932 only 992,049, a decrease which was particularly conspicuous

among the upper classes. Manifestly Mussolini's program for early marriages and large families makes its appeal chiefly to the workers.

Earlier in the month the press had also been rebuked for extravagant talk in general, and Achille Starace, the secretary of the party, issued an order against the too constant use of phrases avowing loyalty and allegiance to the oath. Pledges that are genuine, he said, need not be constantly renewed; Fascisti should be sparing of words but quick to act.

Moderate economic gains seem to have been made in Italy during the month. Improvement in Eastern Mediterranean commerce was especially gratifying to Mussolini. His efforts to bring Greece and Turkey together resulted in the recent pact, which has stimulated Italo-Greco-Turkish trade considerably. The growing interest in this direction was also noted during October by the increased attendance at the fourth Levant Fair held at Bari, Italy.

Despite a slight decline in wholesale prices and in living costs, the general price levels have been maintained and unemployment figures are favorable. Security prices have shown a firm tone, auto stocks rising over 25 per cent, while textiles, chemicals, real estate and engineering also showed fair advances. This was somewhat offset, however, by a decided decline in oils, transport, bank, mining and metallurgical issues. The Treasury has reported an increase in saving-bank deposits, for the first eight months of 1933, of 2,000,000,000 lire (about \$105,200,000 at par) above those for the same period of the preceding year. On the whole, the government seems well satisfied, and speaks of the situation as one of "incipient recovery." The trade balance

continues favorable. The most important development in that respect, however, was the announcement of plans for the guarantee of export credits to a maximum of about \$10,500,000 during the fiscal year ending June 30, 1934; the limit set to the amount of the guarantee to any particular country is about \$7,890,000. As is well known, this is only a continuation of a policy in operation since 1927, when arrangements for export credits were made in connection with the commercial treaties with Russia; it is generally assumed that most of the credits for the present fiscal year will again go to that country.

Among other measures to stimulate Italian industry is a proposed decree requiring the translation into Italian of all talking motion pictures shown in Italy, along with a \$2,000 tax on each. This will impose a heavy burden on American producers who have in the past supplied more than 60 per cent of the imported pictures. Another feature of the proposed plan is the requirement that all cinema owners during the next six months show one Italian picture for every three foreign pictures.

Italy adheres stanchly to the gold standard, and there is much talk to the effect that the lira must be maintained at its present price. There is a gold coverage of 53 per cent, and speculation in the lira has been considerably reduced. On the other hand, the inflated dollar is causing much anxiety and some distress. Foreign tourist traffic has fallen off sharply and remittances from emigrants in the United States are declining materially. Meanwhile, preparations are being made to float a new bond issue, similar to that issued for the great electrification program, in order to retire the nine-year Treasury bonds maturing next May.

### SPANISH CORTES DISSOLVED

President Zamora of Spain on Oct. 7 handed a decree for the dissolution of the Constituent Cortes to Diego Martinez-Barrios with instructions to form a coalition Republican government. The action came after a deadlock of five days, following the overthrow of Alejandro Lerroux, during which four others had tried in vain to form a Ministry. Martinez-Barrios is a lieutenant of Lerroux and is regarded as an astute and powerful politician. After assuming the Premiership, he promptly announced his Cabinet and set the date for the election of the new Cortes for Nov. 19. Seven members of the Lerroux Cabinet held over in the new one, five retaining the same portfolios. The other appointments represented the Moderate Left viewpoint, and therefore indicated a swing away from the Right wing, which was so predominant in the previous Ministry. How far this reflects the influence of the Socialists, who themselves refused to enter the Ministry, it is hard to say.

The dissolution of the Cortes, after two and a half years of hard labor, during which it gradually lost its popularity and its unity, again draws attention to its extraordinary achievements. Besides drafting and promulgating one of the most progressive constitutions of our time, it adjusted the difficult relation between the national government and Catalonia, separated church and State, ordered the suppression of the church schools and the establishment of a national system of public education, inaugurated radical land reforms looking toward the breaking up and confiscation of the great estates, and passed laws for the organization of both rural and urban labor.

At the same time that it was break-

ing down the customs, institutions and traditions of the great mass of Spaniards, it managed well the foreign affairs of the nation and, what was more difficult, maintained law and order and a reasonable respect for the authority of the government. Unhappily the alliance of the Left Republicans and the Socialists and the use of coercive measures, quite as arbitrary as those employed by the monarchy, led to much criticism and opposition.

Temporarily, many of the laws passed to implement the republic were in abeyance as the nation experienced the throes of a high-pressure election campaign. A decided swing to the Right seemed probable, since not only did the Conservatives win in the elections for the Tribunal of Constitutional Guarantees but most of the Republican press turned against the Azaña régime in recent months. Peasants are dissatisfied with the delays in land distribution, the workers are restless, and the women's vote is hard to forecast. Since women were given the vote without asking for it, the men are now wondering what they will do with it. Of the three women in the Constituent Cortes, one opposed the enfranchisement of women on the ground that they would inevitably be reactionary and their vote would prove a boomerang to the republic. Possibly the remarkable changes which have occurred among Spanish women, especially in the cities, in the two and a half years, may break down the docility of the feminine electorate. A conservative estimate places the number of women students at the universities at over 20,000.

In Catalonia, the political caldron was also bubbling over in anticipation of municipal elections on Nov. 12. The Catalan official party, known as the

Esquerra, of which President Macia is chief, was threatened with serious difficulties early in October through the quarrels of the Labor syndicates and the open warfare between the tenant peasants and the landlords. Fortunately, President Macia partially solved the problem by a reorganization of his Cabinet. In the meantime, separatist tendencies keep cropping out. At a mass meeting of 20,000 representatives of the youth organizations in the Barcelona Stadium on Oct. 22, over which the President presided, the flag of a free Catalonia was greeted with loud and prolonged applause.

From Oct. 4 to 10, Spain acted as host to the Interparliamentary Union, which met in the historic rooms of the former Senate building. Julian Besteiro, Speaker of the Cortes, who is also President of the Congress, presided. The topics for discussion revolved mainly about disarmament, labor and parliamentary procedure. Following close upon the heels of the meeting of the Union came that of the Fifth International Conference for the Unification of Penal Law.

The body of the novelist Ibañez was interred in his native city of Valencia on Oct. 28. It had been brought from Mentone, France, where he had first been buried because he desired not to be buried in Spain so long as the monarchy remained. The President, other officials of the Republic and members from the foreign delegations, attended the ceremony.

Reports that France had approached Spain for a military pact have not been confirmed. On the other hand, France has been exceedingly friendly to Spain since the Herriot mission. Another gesture occurred late in October when Francesc Macia was decorated with the Grand Cross of the Legion of Honor.



# Czechoslovakia Bans the Nazis

By FREDERIC A. OGG

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CZECHOSLOVAKIA'S domestic affairs have been affected profoundly by recent developments in Germany. To understand why this has been so, it must be recalled that a German National Socialist party was founded among the Germans of Bohemia, Moravia and Silesia as far back as the close of the nineteenth century, that after the World War this party split into Czechoslovak and Austrian groups, both of which entered into close relations with the German group formed by Hitler in Bavaria, and that, although the German group in later years completely outdistanced the others, it was from the leader of the Nazi movement in Czechoslovakia, Herr Jung, that Adolf Hitler acquired both his distaste for democratic government and his program of anti-Semitism.

The National Socialists, nevertheless, were long but a minor force among the several German parties that have existed in Czechoslovakia since the creation of the republic. In 1920, for example, they had only five seats in the National Assembly, as compared with sixty-five belonging to other German parties. Extraordinarily active, however, they kept in close touch with the Hitler movement elsewhere, displayed the emblem of the swastika on their banners as early as 1923, and, in the years after 1924, organized uniformed Storm Troops among their supporters. Although developing on lines clearly contrary to the best interests of Czechoslo-

vakia, the movement was tolerated by the Prague government, which hesitated to offend the Agrarians, Social Democrats and other German parties which not only were loyal to the existing régime but generally contributed members to the Cabinet. When, however, on initiative from across the German border, a Nazi gymnastic organization called Volkssport sprang up in the North, armed itself with weapons smuggled from Germany, and, according to generally accepted opinion, turned to the task of ultimately accomplishing a violent separation of German-populated sections from the republic and joining them to the Third Reich, the government caused the arrest of the leaders and eventually ordered the organization dissolved.

Early in October the National Socialist party came forward with the ingenious proposal that all German non-Socialist parties in Czechoslovakia should disband and then reunite in a single new party. There was no response except from the Nationalists (comparable with the Hugenberg party in Germany), who, in point of fact, had already largely gone over to the National Socialists. Already, on Sept. 26, Acting Premier Bechyne had publicly indicated that the government's patience was exhausted and that it proposed forthwith to end the machinations not only of the Hungarian Irredentists, the Fascists and the Slovakian People's party but of the German National Socialists as well.

After the Supreme Court, in a decision involving the Volkssport leaders, had declared that the National Socialist aim was the dismemberment of the country, the Cabinet prepared for action. On Oct. 5 a decree, favorably received not only by the Czech press but by the bulk of the German population, dissolved both the National Socialist and Nationalist parties, ordered the seizure of its party funds and the arrest of the principal leaders. As a tactical move, the Nazi party forestalled the decree on the previous day by announcing its own dissolution.

While walls and buildings in various cities were being surreptitiously plastered with swastikas and Nazi slogans, the Cabinet announced that when Parliament assembled on Oct. 17 measures would be introduced which "would prove the government's readiness to make full use of its authority." One bill to be introduced was understood to confer full power to dissolve political parties, unseat their representatives in Parliament, and confiscate their property—all of which had, in fact, already been done in the case of the two offending parties mentioned. "The government," it was proclaimed, "is resolved to defend democracy to the utmost. Fears that this will mean forcible suppression of political parties are unfounded. But the government must request of all political parties, including those in opposition, an unconditional declaration of loyalty to the State in its full unity and integrity." A nation-wide series of raids on the homes of National Socialists and Nationalists kept the police occupied for several days and resulted in many more arrests and the confiscation of much propagandist material, including countless portraits of Chancellor Hitler. [For further discussion of this subject see Robert

Machray's article on page 302 of this magazine.]

#### *POLISH-GERMAN TARIFF TRUCE*

Efforts to curb a tariff war between Poland and Germany, which has been an almost constant irritant between the two countries since 1919, attained a measurable degree of success in the middle of October, when conversations of officials and experts at both Warsaw and Berlin culminated in a temporary understanding. A general Polish-German trade agreement drawn up in March, 1930, was ratified by the Polish Parliament, but rejected in Berlin, and thenceforth German goods, from having stood highest among Polish imports, fell, as a result of embargoes, almost to the vanishing point. The new agreement did not, of itself, go far, providing merely that during continued negotiations Germany should issue no special decrees against imports from Poland, and that Poland, on her part, should apply to German imports the reduced tariff which was being granted to nations with which she had commercial treaties. Even this, however, was regarded as pointing to a permanent settlement.

Realizing that if Germany's announced intention to withdraw from the League of Nations were adhered to Poland would find herself situated between two great States not League members, the Polish press and people became acutely apprehensive about their country's international position. At the same time, there was some satisfaction over the fact that German policies had been brought into the open, and, to that extent, the European situation had been cleared up.

Ratifications of the recent eight-power non-aggression convention were exchanged at Warsaw on Oct. 8. "Our alliance with Poland," declared Foreign Minister Titulescu of Rumania

while in Warsaw for the ceremony, "can no longer be considered as a simple instrument for the assurance of national security, but as a source which should inspire future constructive policies with a view to the maintenance of peace in Eastern Europe."

Industrially, Poland appears to be one of the most prosperous of present-day European countries. Official figures show that, with a population of 32,000,000, the republic has fewer than 300,000 industrial unemployed. The principal source of this prosperity is heavy and continued orders for goods, including munitions, from Russia, most of the business being done, naturally, on a credit basis.

#### BALKAN DIPLOMACY

With storm clouds gathering in the direction of Germany and France, and with Italy and the Little Entente entering a new stage of competition for the upper hand in Central Europe, the three members of the latter combination have of late been courting Bulgarian favor, with the ill-concealed purpose of drawing the kingdom into the Little Entente. A visit of King Alexander and Queen Marie of Yugoslavia to the Bulgarian capital on Oct. 3 was interpreted as having political significance, and a brief sojourn of Foreign Minister Titulescu of Rumania in the same city a week later was definitely known to be related to the project. Recognizing that considerable concessions would have to be offered to bring Bulgaria into the Little Entente, Rumania, according to a report from Belgrade, was prepared to cede a portion of southern Dobruja, while Yugoslavia would part with the two frontier districts of Bosigrad and Zaridrad. More than this, however, seemed likely to be required. Though keenly desirous of better economic relations with her neighbors,

Bulgaria is even more concerned about the status of the Macedonian irredentists in South Serbia whom she claims as Bulgarians, and it seemed certain that she would turn a deaf ear to her wooers unless she could be given assurance that the minority clauses of the peace treaties would be applied to them. A renewal of raids across the frontier into Yugoslavia near the Greek border early in October served to remind the negotiators of the continued seriousness of this problem.

Meanwhile the Rumanian press, as well as newspapers of neighboring countries, had attached great importance to a round of visits by Foreign Minister Titulescu to Warsaw, Belgrade, Sofia and Angora. The view was widely taken that his purpose was not only the addition of Bulgaria and perhaps eventually Poland to the Little Entente but the consolidation of anti-German sentiment in an effort to build an anti-German bloc reaching from the Vistula to the Dardanelles. At Sofia the Foreign Minister said that King Boris and King Carol would soon meet, and indicated further that a meeting of the two with King Alexander of Yugoslavia was not far distant.

While in Warsaw for the ceremony of ratifying the non-aggression pact, M. Titulescu used language in a press interview which was construed to mean that Rumania and Russia would soon resume direct diplomatic relations. Upon closer examination it appeared that he had really gone no further than to express the hope that "frank and cordial relations" between the two countries would be revived.

To the long list of recent visits and conversations of sovereigns and Foreign Ministers of Balkan and near-by countries was added, during the first week of October, a conference at Istanbul between King Alexander of

Yugoslavia and President Kemal of Turkey. Complete secrecy surrounded the event, but it was taken for granted that the meeting was in line with other steps being taken in these days to bring about closer relations among the Balkan and Aegean States.

#### HUNGARIAN FOREIGN AFFAIRS

The general tone of Hungarian political and press comment on Germany's withdrawal from the Disarmament Conference and the League was one of complete sympathy, and no doubt was left that Hungarians generally would have been glad to see

their own country take the same course, had it been considered safe to do so. A view commonly held was that Hungary in this matter, as in others, must be guided by Italy.

Premier Goemboes and Foreign Minister de Kanya visited Turkey in mid-October in the interest of closer relations between the two countries. "Premier Goemboes," declared a semi-official Budapest newspaper, "goes to Angora as leader of an oppressed and enslaved nation to grasp the hand of President Mustapha Kemal, the first statesman to break out of the tomb built by the peace treaties."

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## Labor Party Gains in Norway

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By SIDNEY HERTZBERG

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THAT the elections to the Norwegian Storting on Oct. 16 would result in some Socialist gains had been conceded even by the staunchest partisans of the Right. Conditions in Norway as well as the general political trend in Northern Europe indicated an unmistakable movement to the Left. From September, 1932, to July, 1933, Parliamentary elections had been held in Sweden, Denmark and Finland and in each case the Social Democrats had substantially increased their strength. But the triumph of the Norwegian Socialists exceeded them all. Not even the most optimistic had expected that they would lack only seven seats for an absolute majority in the Storting.

The Labor party won 69 of the 150 seats in the Storting; in 1930 they had 47. The Liberal Left, which is the party in power, lost 9 of its 33 seats. The Conservative representation was reduced from 43 to 30. The Agrarians

lost only 2 of their 25 representatives. The other 4 seats went to minor parties. The distribution of the popular vote, in approximate figures, shows that the Labor candidates received 493,000 of the 1,241,000 ballots cast, an increase of 120,000 votes over 1930. The Conservatives polled 248,000 votes, a loss of more than 75,000. The Left lost 30,000 votes and were reduced to 210,000. The Agrarian party held on to all but 17,000 of their 190,000 voters.

Immediately after these results became known, the executive committee of the Labor party resolved that Premier Mowinkel should resign and make way for a Labor Cabinet. The Premier replied that he had no intention of resigning before the new Storting meets in January. If the Socialists are to be kept out of office, there will have to be some kind of working agreement among the three bourgeois parties—a possibility that is in direct



ratio to the degree of radicalism which the Socialist legislative program will reveal.

Up to now the Left Ministry has been able to scrape along on the support which it alternately beguiled from the Conservatives and the Socialists. Such compromising and the lack of direction inevitable for any Cabinet laboring under such conditions was probably the most important cause of the Labor victory. In 1930 the bourgeois parties gained about 200,000 votes, but none won a majority in the Storting. They found it impossible to unite on an economic policy in the face of the worsening depression. The reaction of the electorate was inevitable. Even so, the Labor party lost no opportunity to make the certainty doubly sure. Ever since the Left and Right wings combined in 1927, the party has gained in power and efficiency. It was the only Marxist party in the field besides the Communists who, since 1927, have been unable to elect a single member of the Storting.

The immediate demands for which the Socialists campaigned included an extensive program of public works as a first step looking toward the systematic development of the country's natural resources, the six-hour day, 3 per cent maximum bank interest, reduction of farm indebtedness to the pre-deflation level, restoration of the unions' right to boycott employers, national disarmament and defense of democracy against fascism.

The Norwegian Labor party is the *enfant terrible* of international radicalism. It has never been a member of the Labor and Socialist International and has never accepted revisionism. In 1920 it joined the Communist International, but found the hand of Moscow too irksome and was free again by 1923. Its theoretical position was best

exemplified by the Independent Labor Party before that group began making overtures to the Kremlin. The solution of the problem which the Norwegian Socialists now face is one of their vital points of difference with the Social-Democratic parties of Europe. It involves the question of assuming responsibility for a government which must depend for its existence on the toleration of Liberals. In 1928 the Norwegian Labor party was in office for fifteen days—as long as it took to put forward a program involving the drastic redistribution of wealth and have it voted down by the bourgeois parties. Should the Socialists follow a similar course if they are called upon to form a Cabinet in January, that is, invite defeat and leave the government in the hands of the discredited and rejected bourgeois parties for three years more, they will incur the wrath of thousands of electors who want them to assume leadership even if it involves compromise. The Socialists might be influenced by another factor—the threat of fascism. During the past campaign Major Vidkun Quisling, Norway's blond Hitler, emphasized the Fascist theme dealing with the futility of modern parliamentarism. Another deadlock in the Storting would provide him with new arguments.

The present parliamentary leader of the Labor party is Johan Nygaardsvold, an unskilled worker. He would, of course, become Premier. But the real leader of the party is, and would remain, Martin Tranmael, editor of *Arbeiderbladet*, the official organ. Before the war Tranmael was active in the I. W. W. in the United States and his syndicalist tendencies are still noticeable. Most of Norway's labor unions are organized along industrial lines, and the general strike is an important element in Labor policy.

With the possible exception of the

Quisling group, the dozen or more minor parties that competed in the election were of no particular importance in themselves, though in some districts they did serve to confuse the issue. Those that obtained one seat each are the Liberal People's party, an old group of Conservative dissidents who now seem to be turning Fascist, the Radical People's party, the Christian People's party and the Commonwealth party, all of local importance. The total vote of the four was about 55,000. The Communist party received about 22,000 votes, an increase of more than 2,000 over 1930 and the only gain made outside of the Labor party.

Major Quisling's party, the National Union, found almost 28,000 supporters. This exceeded the number received by any of the minor groups, but because of the peculiar requirements of the Norwegian system of proportional representation, it did not mean a seat in the Storting. Major Quisling is a former Minister of Defense. He spent about fifteen years in Russia and was Fridtjof Nansen's right-hand man in famine relief there. He insists that dictatorship is no part of his program, but his distinction between absolute control and the degree of unhampered action he thinks necessary is not clear. Certainly, the Norwegian people believe that he stands for dictatorship. All the major parties, particularly the Socialists, attacked him vigorously on that basis.

Democracy is still in fairly good repute in Scandinavia. Those who have opposed it in the past have made little progress. Were this not true, it would be easy to predict a future for Quisling. At the time of the election his party was only five months old. Intellectually, Quisling has extraordinary characteristics. He could easily

become a legendary figure. He apparently inspires devotion. His propaganda director states that he has received contributions from big bankers, industrialists and merchants. Many other details fit into the Fascist picture.

#### SWEDEN'S LABOR CONFLICT

Sweden's public works program for the reduction of unemployment is being seriously handicapped by a stubborn conflict between 10,000 painters, bricklayers and carpenters and the employers' building association which began on April 1. Two attempts by the government to settle it have been futile. Along with the Riksdag's approval of the program in June went a proviso that the strike must be settled before building construction could begin. As a result, nearly 20,000,000 kronor of official public works is being held up and approximately 65,000,000 kronor of private building expected as a result of a 10,000,000 kronor government loan for that purpose has likewise been left untouched. [At par the krona is worth 26.799 cents.]

Employers, at the expiration of the old contract, demanded a reduction in wages; thereupon the workers struck. A Social-Democratic government, of course, dislikes to suggest a wage reduction to a section of its own supporters. A reduction, however, would result in very little hardship. Wages for the skilled hands in the building trades became abnormally high during the building boom when labor was scarce. In Stockholm and its vicinity the average wage for bricklayers and carpenters is twice and more the average industrial wage. These workers know they must take some reduction, last all Winter. Nevertheless, and despite the previous failures, a special government commission is working

for a satisfactory solution of the controversy.

#### ANGLO-FINNISH AGREEMENTS

The Anglo-Finnish Trade Agreement, details of which were revealed early in October, will last for three years and will operate on the basis of the most-favored-nation principle. Finland will buy not less than 75 per cent of her annual coal imports from Great Britain and coal and coke will remain on the free list. In 1924 Finland imported 95 per cent of her coal from Great Britain; in 1931 the percentage had dropped to 29.

Finland also undertakes to reduce the duty on printed cloth from 18 to 10.8 per cent and to reduce duties generally on all kinds of cotton piece goods, on wool piece goods and on wool and silk mixtures. At the time these concessions became known a large Finnish cotton mill was reported to have decided to lay off 500 workers because of the decline in output expected as a result of foreign access to the home market.

The terms of the agreement were greeted with mixed feelings in Finland.

It was felt that home industries would suffer from renewed foreign competition. As a matter of fact, the operation of the most-favored-nation clause opens the Finnish market to Great Britain's competitors and jeopardizes British gains.

#### REFORMS IN ESTONIA

Drastic constitutional reforms involving the reduction of the membership of the State Assembly from 100 to 50 and the election of a President vested with extensive powers were approved by the Estonian electorate in a national referendum on Oct. 16. The vote was approximately 416,000 to 157,000. This comes after the rejection in June of a proposal to elect a President with limited powers. [See August CURRENT HISTORY, page 628.]

The Toennisson Cabinet resigned a day after the referendum and it is expected that the "Liberators," who were the proponents of the approved changes, will be able to form a government soon after new elections are held. The reforms must be instituted within 100 days.

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## The Basis of Soviet Recognition

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By EDGAR S. FURNISS

*Dean of the Graduate School, Yale University*

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A NEW chapter is about to begin in the story of American relations with the Soviet Union. On Oct. 20 correspondence between President Roosevelt and President Kalinin was made public, assuring apparently that the United States was about to abandon its policy of non-recognition toward the Soviet Union. Such an interpretation, however, was based upon a general appraisal of the exist-

ing relationships of the two countries and of the forces which are shaping their foreign policy rather than upon any explicit statement contained in President Roosevelt's note to the Soviet President. Careful reading of the note showed that it was framed so as to avoid committing the United States to any specific change of policy. Though addressed to President Kalinin it makes no mention of the

Soviet Union as such, merely inviting Kalinin as an individual to designate representatives to explore with President Roosevelt "personally all questions outstanding between our countries." Elsewhere in the note these questions were described as of concern, not to the governments, but to the "125,000,000 people of the United States and the 160,000,000 people of Russia." At no point was the recognition policy of this country mentioned as one of the problems for which solution was sought, and President Roosevelt was careful to include the warning that "participation in such a discussion would, of course, not commit either nation to any future course of action."

President Kalinin's reply, however, brushed aside these verbal equivocations and focused the issue squarely and solely upon the question of recognition. He wrote: "I have always considered most abnormal and regrettable a situation wherein, during the past sixteen years, two great republics—the United States of America and the Union of Soviet Socialist Republics—have lacked the usual methods of communication, and have been deprived of the benefits which such communication could give," adding, somewhat ironically, "I am glad to note that you also have reached the same conclusion." The questions outstanding between the two countries which President Roosevelt described as "serious but not insoluble," were attributed by President Kalinin to this one cause: "Difficulties, present or arising, between two countries can be solved only when direct relations exist between them; they have no chance for solution in the absence of such relations." Taking a still broader view of the American policy of non-recognition Kalinin condemned it as a men-

ace to the general international situation, "an element of disquiet complicating the process of consolidating world peace and encouraging forces tending to disturb that peace." Maxim Litvinov, in accordance with President Roosevelt's invitation, was designated to visit Washington as the representative of the Soviet Government.

The Soviet Union's estimate of the importance of the forthcoming conference was shown not only by the alacrity with which President Roosevelt's invitation was accepted but by the selection of the Commissar for Foreign Affairs as delegate, notwithstanding the fact that Litvinov was at the moment about to set out on an important mission to Turkey. On Oct. 28, while in Berlin on the way to America, he stated in a press interview that as far as he was concerned the whole question of recognition could be settled in half an hour.

Probably the background of America's Russian policy and the obstacles which have for sixteen years prevented our recognition of the Soviet Union are well known to all, but in view of the historical importance of the present *rapprochement* of the two countries it is well to summarize these facts and to relate them to current conditions. The policy of the United States has not been, as many suppose, based officially upon a condemnation of the Russian revolution or a disapproval of the economic and political institutions of the Soviet régime. Instead, it has always been charged that the Soviet Government was neither able nor willing to fulfill international obligations and was not, therefore, an acceptable party to any agreement with the American Government.

The policy of non-recognition was first officially announced in Acting Secretary of State Polk's memoran-



dum of March 12, 1918, addressed to the Japanese chargé d'affaires in Washington. The reasons for the policy were formulated for the first time by Secretary Colby in a note to the Italian Ambassador in Washington on Aug. 10, 1920. They were reiterated by Secretary Hughes in March, 1923, when he declared: "The fundamental question in the recognition of a government is whether it shows ability and a disposition to discharge international obligations." President Coolidge in his message to Congress on Dec. 6, 1923, chose the same ground as the basis of our policy, refusing "to enter into relations with another régime which refuses to recognize the sanctity of international obligations."

Eventually the American indictment of the Soviet régime, originating in vague accusations of confiscation and repudiation, came to rest on three specific charges—the spoliation of our citizens in the revolution of 1917; the repudiation of the Kerensky, as distinct from the Czarist, debt; and the subversive propaganda in the United States of the Third International. These were clearly enunciated in President Coolidge's message. Their statement prompted Commissar Chicherin to cable ten days later requesting a conference to discuss and remove these obstacles to recognition, at the same time binding the Soviet Government to a policy of non-interference in our internal affairs and offering a satisfactory settlement of American claims on "the principle of reciprocity," the reference being to Soviet counter-claims arising from the operations of our armies in North Russia and Siberia in 1918. Secretary Hughes replied that there could be no negotiation of any sort until the Soviet Government had first compensated American citizens for confiscated

properties, had acknowledged its obligation for the Kerensky debt, and had discontinued Communist propaganda in the United States. In 1928 Secretary Kellogg repeated that these conditions must be met before recognition would be possible, and as late as December, 1930, Secretary Stimson announced that there had been no change either in the general tenor of our policy or in the requirements it placed on the Soviet régime.

If these demands of our government were still to be obstacles to Soviet recognition, the general effect of recent trends had been to reduce, and in some cases to destroy, the significance of the conditions laid down in the past. This is particularly true in regard to Communist propaganda. The position formerly taken by Soviet spokesmen, namely, that this was the work of a separate organization—the Third International—for which the Soviet Union could not be held officially responsible, was so palpably a subterfuge that it could be dismissed from serious consideration.

Today, however, it is apparent to any impartial student of the question that Russia is sincerely attempting to keep the Third International within bounds, and that in this attempt she has compelled her own Communist party to abandon its advocacy of world revolution. The change has resulted from the needs of the Soviet Union itself, the need for peace and for normal economic relations with other countries which are essential to the success of Russia's internal program. The situation was well stated by Leon Trotsky, a bitter enemy of the Stalin régime, in an article recently published in this country. "What formerly composed the essence of Soviet policy," he said, "has now become transformed into a harmless

ritual. It is time to understand that despite the phrases employed on holiday occasions the Soviet Government and the Comintern [the Third International] now inhabit different planes. The present Soviet Government strives with might and main to ensure its internal security against risk connected not only with wars but with revolutions."

With regard, also, to the question of Soviet financial obligations to the United States, a marked change had come over the situation. The Soviet Government had certainly not altered its official attitude toward American claims in respect either to the Kerensky debt or the losses of our citizens. As shown by Chicherin's note of Dec. 16, 1923, there was no denial of the validity of our claim to the Kerensky debt, but instead a counter claim. On both sides the official position was what it had been throughout the past sixteen years, but recent events weakened the force of all such considerations as a factor in shaping our foreign policy. One effect of the repudiation of debts by other European nations was to create in the United States a skeptical attitude toward "the sanctity of international obligations" of a financial character, while the existing American policy of continuing to recognize defaulting governments made it virtually impossible for us to defend our earlier position with regard to Russia. It seemed therefore to be in line with our present practice to make this whole question, after recognition, a matter for continued negotiation, a stage from which it is never likely to emerge.

The private claims of American citizens present a somewhat different case. These the Communist leaders have never acknowledged, nor was it politically possible for them to do so

in view of the theory of revolution to which they are committed. Recently, however, the Stalin government suggested a formula which might provide a solution to the difficulty, at least in principle; namely, that while refusing to acknowledge the validity of the claim, the Soviet Union would grant such terms in new agreements with the American business interests that suffered loss in the revolution that the old claim might "be absorbed in the volume of new business." It was commonly believed that some such arrangement had been put into effect in the existing contracts between the Soviet Government and the General Electric Company. The limitations of the formula were obvious, but it did provide an opportunity for the American government to remove the whole problem from the sphere of diplomacy by accepting the assurance of good intent by the Soviet Union as a discharge of our requirement. Then the matter could be left for settlement by the interests concerned.

These developments, of course, had the effect merely of facilitating a policy of recognition through the removal of obstacles which formerly stood in the way. The forces working positively in this direction had to be sought elsewhere, particularly in the economic condition of America. For the time being the foreign policy of the United States, like that of the government of Russia, is controlled by the necessities of a gigantic program of domestic reconstruction. Any obstacle to the success of this program must if possible be removed. One vital necessity is the revival of American export trade, and it became clear that the Russian market for our goods could not expand under existing diplomatic arrangements. This had not been always true.

From 1924 to 1930, despite the non-recognition policy, our exports to the Soviet Union rose from \$42,000,000 to \$114,000,000. In 1931 they fell to \$104,000,000 and in 1932 to \$12,500,000. During 1933, except for one large transaction financed by the American Government, our exports to Russia remained on this insignificant level. Moreover, the loss of trade was due in large measure to causes which had a direct bearing on our recognition policy. It is true that the Soviet Union was obliged to reduce the total volume of her imports from all countries, but she still desired to buy foreign goods in large quantities and she had reason, especially in view of her strained relations with Germany, to prefer American goods. What happened to change our trade relations with Russia was that country's growing dependence on long-term credit and the impossibility of maintaining trade on such a basis in the absence of stable political relations. The protracted negotiations of the Amtorg and the RFC in the Summer of 1933 emphasized the difficulties of trading under existing conditions. Private enterprises and the banks which serve them were confronted by even greater difficulties when attempting to arrange a long-term credit basis for their transactions. In the offing was Litvinov's offer to the London Economic Conference to buy on Russian account up to \$1,000,000,000 worth of foreign goods, provided satisfactory credit terms could be worked out. These considerations touching the economic needs of our own people undoubtedly received recognition in Washington as offering the only realistic and defensible basis of our Soviet policy.

The other nations of the world were not long in deciding that the Roose-

velt-Litvinov conversations would result in American recognition of Russian and began adjusting their own policy to this conviction. In Great Britain the announcement of the impending conference at Washington stimulated a demand that the negotiations for a new Anglo-Russian trade agreement, which had languished since the British engineers' trial in Moscow last Spring, be speeded up. Both France and Germany interpreted the change in our recognition policy as a factor promoting the Franco-Russian *rapprochement*. The Soviet Union had thus far, despite the bitterness of its attitude toward the Hitler régime, continued its trade relations with German industries because of its need of German credit. The Soviet Government expected to free itself of this relationship when the way should be prepared for a transfer of its trade to the United States. The action of the German Ministry on Oct. 30, cancelling the expulsion order against Soviet press representatives and announcing that the foreign policy of the Reich thereafter would cease to reflect repugnance for Communist institutions, indicated the increased influence of Russia. In the Far East, where Russo-Japanese relations were growing steadily more embittered, the importance of Litvinov's visit to Washington was recognized. Japanese Foreign Minister Hirota, in commenting on the Roosevelt-Kalinin correspondence, acknowledged that it had strengthened the Union's standing in world affairs. The Soviet leaders themselves argued that American recognition of the Soviet Union would stiffen instead of mollifying the Japanese policy in Manchuria since it would strengthen the military faction rather than the civil authorities in the struggle now going on in Japan for control of that nation's foreign policy.

# Arab Riots in Palestine

By ROBERT L. BAKER

THE most sanguinary disorders that Palestine has witnessed since 1929 occurred during the last week of October, when Palestinian Arabs took part in a series of violent demonstrations at Jaffa, Haifa, Jerusalem and other places.

Since the beginning of the persecution of Jews in Nazi Germany the British Government has been under great pressure to open the doors of Palestine to the Jewish refugees. Zionists, from the World Organization down to influential individuals, have urged, entreated and demanded that the restrictions on Jewish immigration be greatly moderated. Sharp attacks have been launched against the policy heretofore followed of setting quotas based on the estimated "capacity of Palestine to absorb settlers." The Zionists contend that the quotas have been kept down in spite of the country's phenomenal prosperity and the requirement of new development projects for labor. Though the new quotas, both for immigrants possessing capital and for laborers, have been raised considerably, they are far below Zionist estimates of Palestine's capacity to accommodate colonists. The Jewish Agency, for example, demanded a quota of 25,000 Jewish laborers for the next six months; the Palestine Government granted only 5,500.

The Palestine Arab Executive, speaking for the 750,000 Arabs in the mandate, has never ceased to protest against all Jewish immigration whatsoever and against the purchase of land by Jews. Its influence over the

Arab population normally does not appear to be great, but when excitement is running high it takes advantage of the opportunity to encourage gatherings and processions that are seldom dispersed by the police without bloodshed. And since the Arab Executive is usually stampeded into making its decisions by the more fanatical members, its influence is never toward moderation or conciliation, but always in the direction of defiance and provocation of the authorities.

Recently, a number of factors have combined to arouse a sense of community among the Arabs that is usually absent. First, both the publication of the French reports and the conclusions of the Mills census took a pessimistic view of Palestine's capacity to absorb any considerable number of Jewish immigrants. Second, Arab feeling was aroused to a high pitch in mid-September when the body of King Feisal of Iraq was landed at Haifa en route to Baghdad for burial. A hundred thousand Arabs from all parts of Palestine and even from Syria and Transjordan assembled at that port to lament the passing of one of their idols. Third, the publicity given to Jewish demands for higher quotas for refugee immigrants and the actual presence in the cities of thousands of obvious newcomers made the Arabs fear that Palestine would soon be swamped with wealthy Jews who would buy up all the land in the country.

But a significant change has come over the Arabs. In 1929 their ani-



mosity was aimed at the Jewish settlers; now it is directed against the Palestine Government and the British. The processions and demonstrations in October were, therefore, protests against British immigration and land policy. The fundamental reasons for the prevailing Arab unrest are economic rather than religious. Zionist leaders maintain that the influx of Jewish capital since 1920, estimated at \$250,000,000, is responsible for Palestine's prosperity, that the Jews have paid high prices for the lands they have bought, and that the Arabs as well as the Jews benefit from the rapid economic development of the country. Arab leaders, on the other hand, argue that Jewish wealth is driving the Arabs from the land, that Jewish capital for development has not helped the Arabs greatly because Jewish labor has been used exclusively wherever possible, and finally, that the British policy initiated by the Balfour declaration is to blame for turning Palestine over to the Jews.

The actual disturbances in October arose out of the prohibition by the authorities of processions of all kinds by the Arabs. Nevertheless, one formed at Jerusalem on Oct. 13 and the police had some difficulty in dispersing it. At Jaffa and Nablus similar demonstrations of protest were prevented. The Arab Executive then defied the government by announcing a mass protest against Jewish immigration and a general strike at Jaffa on Oct. 27. Efforts to prevent the demonstration failed, and in the affray which resulted more than twenty persons were killed and about 130 were wounded. On the following days ferment among the Arabs spread and clashes between Arab crowds and the police and military occurred at Haifa, Nablus, Safed (the scene of the worst

massacre in 1929), Nazareth and Jerusalem. In all cases where the police or military fired into crowds, they did so only after they had been fired on. Jews were attacked only at Haifa, where a bus carrying Jewish workers was stoned by Arabs. The general strike, which had been planned in the Spring by the Arab Executive, virtually paralyzed business throughout Palestine except in towns that are predominantly Jewish.

The British authorities immediately enrolled and armed special constables, and two squadrons of planes from the Royal Air Force in Egypt flew over the principal cities as a warning gesture. Several prominent members of the Arab Executive were placed under arrest without bail. A strict censorship was decreed and Arab newspapers ceased publication in protest. Curfew regulations were put into effect in many towns. Finally, on Oct. 30, General Sir Arthur Grenfell Wauchope, the High Commissioner, invoked the "Palestine (Defense) Order in Council 1931," a step which gave him full power to deal with the emergency.

Though the strike was generally observed by Arab shops and workers, the government had the situation so well in hand that the anniversary of the Balfour declaration, on Nov. 2, passed without serious incident.

British policy in the mandate was restated by Sir Philip Cunliffe-Lister, Colonial Secretary, in a speech broadcast from London in connection with the opening of the new port works at Haifa on Oct. 31. "The mandate," he declared, "carries with it a clear duty to the Arabs and to the Jews. That duty will be discharged fully and fairly without fear or favor. There is under the mandate an obligation to facilitate the establishment in Palestine of a national home for the Jewish people.

But at the same time there is an equally definite obligation to safeguard the rights of all the inhabitants. Both obligations will be most carefully observed." He concluded by asserting that the duty of preserving law and order would be "thoroughly discharged." Such an announcement was, of course, to be expected, but it satisfies neither Jew nor Arab. What concerns both is the manner in which this neutral policy is applied to such specific problems as the Jewish immigration quota and land sales.

#### *TURKEY'S TENTH ANNIVERSARY*

The tenth anniversary of the founding of the Turkish Republic was celebrated by the Turkish nation on Oct. 29 with a display of military strength and carefully planned festivities that would have done credit to one of the powers of Western Europe.

As the Turks were unused to organized celebrations it was necessary to make arrangements long in advance and to coach the people carefully to insure their attendance at the ceremonies and participation in reciting slogans and singing the special anthem. The People's Houses (the social clubs of the People's party) supervised the rehearsing of speeches, plays and songs in their localities. During the ten days preceding and following the anniversary railway fares were greatly reduced to enable the poorer citizens to visit Ankara, the capital. And every village in Turkey sent a man, a woman and a child to its provincial capital for three days as guests of the government.

A minute of silence was observed at 8 P. M., the exact hour when the republic was proclaimed on Oct. 29, 1923. When that minute expired 101-gun salutes boomed forth in every town in Turkey. The 400 planes of the Turkish Army carried out manoeu-

vres over Ankara and other cities and dropped 50,000,000 manifestoes.

At Ankara Mustapha Kemal spoke to a crowd of more than 100,000 at the race track. "Our greatest accomplishment," he said, "is the Turkish Republic, which the heroism and high culture of the Turkish people created, thanks to the nation's will and the valorous army, but our task is unfinished. What we have done is insufficient. We will raise our fatherland to the ranks of the most prosperous and most civilized nations of the world with the speed of this age in which we live."

Several foreign delegations were present at Ankara for the celebrations, the most important being that from Soviet Russia. It numbered twenty-one persons and was headed by Klementi Voroshilov, Commissar for War and Navy, and the first member of the Political Bureau to leave Russia since the revolution. Maxim Litvinov, Commissar for Foreign Affairs, would also have gone to Ankara but for his selection to go to Washington to discuss the question of American recognition. His place was taken by Leo M. Karakhan, Vice Commissar for Near Eastern Affairs.

The Turkish Foreign Office has been extremely busy during the past months in an effort to conclude new treaties and renew old ones with all Turkey's neighbors before the date of the anniversary. During September and October treaties pledging friendship, non-aggression, neutrality and arbitration were signed or arranged with Greece, Rumania, Hungary and Yugoslavia.

#### *INDUSTRIAL DEVELOPMENT IN EGYPT*

Egypt is not usually thought of as a country bent on becoming self-sufficient. Cotton, in the production of

which she ranks third in the world, has normally provided an income sufficient to purchase such manufactures abroad as were required. In recent years, however, cotton prices have been so low that the staple has been grown virtually at a loss, and even cheap Japanese and Italian cotton manufactures have seemed dear. It now seems probable that within a short time Egypt will be manufacturing her own cotton goods. The Egyptian Misr Company, a wealthy corporation of Cairo and Alexandria with vast interests in cotton growing, ginning, exporting, transportation and banking, has taken advantage of the depressed condition of the cotton mills in England to buy the equipment of a number of Lancashire concerns. One of the largest textile mills in the world will be built in Cairo to house this equipment and the plant is expected to begin production within a year.

The new Egyptian Cabinet, appointed on Sept. 26, has found a certain amount of party support in the decision of the Shaabists to cooperate with the government so long as it follows the general policy of the party. But, since the Shaab is dominated by former Premier Sidkey Pasha, it will be necessary for the government to please that strong-minded leader. A struggle between Sidkey and Yehia Pasha, the present Premier, is freely predicted, and it is believed that there can be but one outcome—a further increase in the influence of King Fuad.

#### THE ASSYRIAN QUESTION

Two months ago it was thought that Iraq's treatment of her Assyrian minority would be one of the principal concerns of the Fourteenth Assembly of the League of Nations. This question was brought to the attention of the world by a revolt in August and a massacre of Assyrian villagers

shortly after. Widespread sympathy was expressed for the ancient Christian sect and it appeared likely that Iraq would be taken to task for the excesses of its troops. But the League Council at once recognized that the difficult problem required thorough investigation, and a committee was appointed to consider the evidence submitted by both sides.

At the final meeting of the Council on Oct. 14, Nuri Pasha, the Iraqi Minister of War and official delegate, declared that the formidable armed force that revolted in August received only its just deserts. He asserted that a home ought to be found for the Assyrians who did not wish to be loyal citizens of Iraq, and that the Iraqi Government would cooperate with the League in finding such a solution, but added that Iraq did not intend to provide any land for the carrying out of the project.

Señor de Madariaga, the rapporteur of the committee which studied the question, proposed the appointment of a new committee to investigate the possibility of settling the sect elsewhere, and that the Iraqi Government should meanwhile keep the committee informed of its measures to protect the Assyrians. Joseph Paul-Boncour, the French Foreign Minister, stated that a number of the Assyrians had already been allowed to settle in Syria and that others might be accommodated, though the capacity of Syria to absorb immigrants was limited. The Council then concluded by naming Señor de Madariaga himself on the new committee along with representatives of Great Britain, France, Italy, Denmark and Mexico. In so far as the League Council dealt with the alleged outrages, it appeared to be more concerned with finding a constructive solution than with attaching blame to Iraq.

# Russia's Stake in the Far East

By TYLER DENNETT

*Professor of International Relations, Princeton University*

DURING the late Autumn the tension between Japan and the Soviet Union increased and once again talk of war in the Far East was to be heard. Several new developments served to make the Russian attitude less complacent than it had been for some time, while alleged Japanese activities did nothing toward quieting the ruffled feelings of the Soviets.

The Chinese Eastern Railway continued to be a source of bad blood between Japan and the Soviet Union. Late in September the Soviet Government apparently obtained possession of the text of documents which it said were reports to the Japanese Foreign Office from General Takeshi Hishikari, who now holds the triple posts of Commander-in-Chief of the Kwangtung army, Governor of Kwangtung territory and Japanese Ambassador to Manchukuo. These documents, if genuine, disclose a detailed plan by which the Japanese officials in Manchuria, working in close cooperation with Manchukuo officials, would "resort to active measures of pressure" to speed the negotiations for the sale of the Chinese Eastern Railway to Manchukuo. These negotiations have been deadlocked for many weeks, the Soviets holding out for at least 200,000,000 yen [about \$100,000,000 at par] while the Japanese have offered not over one-fourth of that sum.

The alleged plot included the following proposals: (1) The Manchurian assistant manager of the Chinese

Eastern must give his sanction to any order of the Russian manager before it can be valid. (2) The Japanese police and prison authorities must carry out "raids and thorough investigations" of Communist organizations. (3) "By way of preparatory measures, in view of the possible seizure of the railroad, employees of the railroad, the military police and others are being mobilized, and approximate distribution of forces is being made." (4) Collection of material concerning unlawful acts of Soviet employees of the railroad. (5) "Unexpected searches" are to be made in the commercial school in Harbin and in the railway clubs along the railroad. (6) A check-up on the payment of taxes and general activity of the Far Eastern Bank. (7) A plan "to compel private creditors of the Chinese Eastern Railway to demand payment of debts and later to sequester property of the railroad." (8) Release of White Russians now under arrest. (9) The method to be followed in the execution of these measures involved speed, "strict secrecy," and the appearance that they were being done independently of the Tokyo negotiations.

Another document disclosed a plan to arrest seven Soviet railway officials, including the chiefs of the secret service, the locomotive depot in Harbin, the rolling stock supply and the financial department.

Supplied with these documents, and another not yet published, which the Soviet Government evidently believed



to be authentic, encouraged by the harvests at home, heartened also, perhaps, by intimations of approaching American recognition, the Soviet Government on Sept. 22 protested to Japan against the "gross violation of treaty rights" in Manchuria. It declared that Japan was "instigating" seizure of the railway and warned Tokyo that the Japanese, not the Manchukuo, Government would be held directly responsible for the existing disorders along the Chinese Eastern Railway. Three days later, as though to prove that the documents were authentic, the Japanese authorities arrested five Soviet railway officials for "breach of trust."

On Sept. 28, Constantine Yureniev, Soviet Ambassador in Tokyo, showed the texts of the alleged documents to the Foreign Office. Their authenticity was at once denied, but within a week Japanese papers were filled with rumors of Soviet preparations for war. Much was made of the fact that the Soviet authorities had made a new rule requiring foreign ships entering Vladivostok harbor to engage Soviet pilots. Li Shao-kun, president of the Chinese Eastern, issued a statement on Oct. 7 that if Manager Rudy persisted in refusing to acknowledge Manchukuo authority, and insisted upon restoring Russian officials discharged by Manchukuo, he might find it necessary to withdraw the railway guards and let the bandits have their way.

The Soviet Government published the document on Oct. 8. *Pravda* gave it a two-column head on the front page, but *Izvestia* devoted more than half the front page to the alleged disclosure. Moscow was palpably stirred. Tokyo denounced the publication as an "inexcusable breach of good faith" and "malicious fabrication." The War Office spokesman declared: "We must

demand amends, a retraction and guarantees of future good faith." Shanghai reported an exodus of White Russians to Manchuria, while the notorious General Semenov asserted that 200,000 White Russians were ready to fight the Soviet Union provided that Japan furnished the arms and supplies. For a day it looked as though Japan and Russia were preparing to reopen the struggle for the stake that Russia lost in 1905.

Quickly, however, it became evident that, in spite of much Japanese bluster, the Japanese Government did not at this time desire war with Russia. Hugh Byas, Tokyo correspondent of *The New York Times*, reported on Oct. 12 that the Japanese were ready to increase their offer for the railroad to at least \$18,000,000, and possibly even more. Foreign Minister Hirota went to some lengths to explain that his remark, "a cowardly dog is a great barker," involved, in the Japanese language, no disrespect for the Soviet Government. General Araki, on Oct. 14, hastened to assure the world that "Japanese military power will never be used except morally." But he coupled this assurance with the statement: "It is natural to imagine that Russia is Japan's potential land enemy and that the United States is the Japanese Navy's potential enemy on the sea."

While Minister Hirota professed great pleasure that the United States was to re-establish friendly relations with Russia, the significance of American recognition at the present moment was not overlooked in Tokyo. "Fear that the United States and the Soviet Union will start operations in the Far East is baseless," explained the *Nichi Nichi*. "The United States cannot do anything in this part of the world, even if it has Soviet support." The newspaper, however, ad-

mitted that a Russo-American understanding would be likely to raise the hopes of China.

General Araki, Japanese Minister of War, who has a habit of throwing out in casual interviews suggestions for the conduct of Japanese foreign relations, proposed on Oct. 30 that Japan summon a nine-power peace conference to meet in Tokyo before 1935, when the existing Washington treaties of 1922 expire. General Araki admitted that, while he had discussed the matter with several members of the Cabinet, he had not consulted others. He believes that both the Kellogg and the Nine-Power Pacts have proved defective and require revision. Unless some agreement could be reached, the General predicted that either Japan must go forward with her military preparations, or "the people of Asia, led by China, will become permanent servants of the white races."

One significant feature of General Araki's proposal is that while nine powers would be invited to the conference it would not be the nine powers that signed the famous Washington treaty. India would replace Portugal and Manchukuo would replace Italy. To that extent Great Britain would be at a certain disadvantage as compared with her position at the Washington conference. The presence of Manchukuo at the table would, of course, give the puppet State the international recognition which has so far been withheld, to the great annoyance of Japan.

General Araki's proposal was received coldly, particularly by the United States and Great Britain, though it was suggested in Washington that the project indicated that the moderates in Japan were regaining a little influence. A similar interpretation was placed upon the recall of Ambassador Debuchi for conference with the Foreign Office. How-

ever, the character of the man who may replace him will indicate more clearly than does Debuchi's recall whether a more moderate policy is to be expected in Tokyo.

Notwithstanding repeated good-will overtures from Japan, American policy in the Far East has remained undeclared through the first eight months of the Roosevelt administration. Count Ishii has renewed his suggestion for a non-aggression treaty, but Washington has made no further comment. The negative signs of positive policy are not very encouraging for Japan in view of the wheat and cotton loans to China, the new American naval program and the recognition of the Soviet Union.

It is not unprofitable, for the moment, to speculate on the most likely political alignment if Japan were to persist now in provoking a quarrel with the Soviet Union. Japan would probably have sympathy and some financial support from France. China would be with Russia. The other powers would have strange bed-fellows—Great Britain against Japan, and therefore against France and for Russia; the United States for Russia; Germany equally uncomfortable in either bed; and Italy stealthily trying to steal the covers from both. Such speculation is profitable both to show how unlikely it would be that the powers would actively participate in such a dispute in the Far East and, further, how unlikely it is that Japan will actually provoke it. Russia could, doubtless, be easily driven west of Lake Baikal, but the only powers to benefit by such a contest would be Japan's great trading rivals, Great Britain and the United States. The Japanese military have done some strange things in the last few years, but nothing yet equal to the blunder of bringing on a war with the Soviet Union.

## JAPAN'S WAR BOOM

Among the few courageous souls in Japan who, in recent years, have had the audacity to stand up before the military party and exhibit the elementary economic facts is Baron Seinosuke Goh, president of the Tokyo Chamber of Commerce and Industry. In special correspondence to *The New York Times* he called attention to some of the underlying facts of Japan's financial position. Company profits (298 firms) on paid-up capital in 1931 amounted to 5.7 per cent. In 1932 the profit had increased by 1.3 per cent. Bank deposits likewise showed an increase. The value of export trade in the first half of 1933 rose over the similar period of 1931 in the proportion of from 572 to 856. The number of unemployed has decreased. The monthly index of commodity prices has risen from 111.4 to 133.3. In short, Japan is enjoying a boom.

Baron Goh, however, pointed out that it is a war boom. Taxes cannot be increased to meet the extraordinary expenditures for both war and for relief. The alternative is more borrowing. But, added Baron Goh, the continued flotation of government loans, unless the government at the same time balances its budget, will cause a heavy fall in the value of the bonds, and the exchange rate for a country with an unbalanced budget will go still lower. "If the Japanese Government should put an end to its extraordinary expenditure, the reaction even now would be terrible." Thus Japan is caught on the merry-go-round of finance. To keep going the government has had to spend when it had no money to spend, but to retrench is to invite financial collapse. Other countries are in the same plight, but with the difference that they have greater resources and are, in many cases, less

dependent upon foreign trade. If the plans of the Japanese Army and Navy are accepted, the probable deficit for 1934-35 will be about 1,000,000,000 yen [at par about \$500,000,000].

With evident glee the Japanese cotton industry reported, early in October, that in the first eight months of the current year Japan surpassed Great Britain in the total number of square yards of cloth exported. Only so recently as 1929 Great Britain exported 3,866,000,000 yards as compared with Japan's 1,418,000,000.

Japan is now suffering from a bumper rice crop. The estimated yield is still 37,000,000 bushels under the usual consumption, but the government has a carry-over of 50,000,000 bushels and Japanese colonies have been encouraged to produce another 80,000,000.

In spite of the depreciation of the American dollar, and notwithstanding the retreating shadows of the anti-Japanese boycott, Japan appears to be regaining her commercial supremacy in North China. It is estimated that the boycott is not now more than 5 to 10 per cent effective. American trade is now below 15 per cent of the total at Tientsin as compared with 24.2 per cent in 1929, while Japanese trade accounts for more than 40 per cent of the total. Unsuccessful foreign competitors complain of Japanese dumping, to which the Japanese reply, as they have in India, that theirs is the advantage of lower production costs as well as of accessibility to the North China market.

CHINESE FINANCE MINISTER'S  
RESIGNATION

In China, Japan may derive some slight encouragement from the resignation of Dr. T. V. Soong, who has been Finance Minister, except for a brief interval, since 1927. Dr. Soong,

in addition to having the confidence of bankers and business elements in China, has been conspicuous for his opposition to the militarism of General Chiang Kai-shek, and to a conciliatory policy toward Japan. On his recent trip abroad Dr. Soong was able to arrange for a \$50,000,000 American loan and seemed wherever he went to enjoy the respect of Foreign Offices. The Japanese Ambassador in Peiping on several occasions warned the Nanking Government that Dr. Soong's activities were not well received in Tokyo. Japan has also opposed the extension of the League of Nations program for cooperation in the rehabilitation of China. Ludwig Rajchman recently arrived in China to coordinate the League's activities. At the same time Yotaro Sugimura, formerly Japanese delegate to Geneva, conferred with Chinese Government officials regarding both the American wheat and cotton loan and also, so it was reported, to thwart the activities of Mr. Rajchman. Nor are the Japanese likely to welcome Sir Arthur Salter, whom Dr. Soong is also reported to have invited to China.

The resignation of Dr. Soong would therefore seem to indicate that the Nanking policy toward Tokyo is to remain conciliatory. The acceptance of his resignation by the Central Political Council at an emergency meeting at Nanking was somewhat of a surprise. He was replaced by Dr. H. H. Kung, Governor of the Central Bank of China and former Minister of Industry. Upon the resignation of Dr. Soong, Chinese bankers began to sell their bonds.

Apparently without any serious opposition from Nanking, 170 Mongol princes of Inner Mongolia established on Oct. 29 a semi-independent government in Suiyan Province. The Nanking Government has acquiesced in the

local autonomy of Inner Mongolia, it being understood, however, that defense and the direction of foreign affairs will continue to be the prerogatives of Nanking.

#### UNREST IN SIAM

In Siam, even as in Cuba or Nebraska, it is hard for the government to maintain itself under the shadow of business depression. Prince Bava-radaj, formerly War Minister and one of the numerous cousins of King Prajadhipok, led a rebellion on Oct. 12 which, although reaching the outskirts of Bangkok, collapsed a few days later after an all-night cannonade by loyal governmental troops. Airplane fighting was a spectacular feature of the ephemeral revolt. The King and Queen were in residence at Huahin, a seaside resort far from Bangkok. The causes, other than the general effect of the depression, are not clear from the dispatches. One explanation is that Luang Pradit, the liberal leader who was expelled from the country last April after an unsuccessful uprising, has been permitted to return to Siam, where his arrival was celebrated by a reforming of the so-called Communist discontents. One comes to distrust the alleged communistic character of the unhappy and hungry Orientals. At any rate by Oct. 18 Bangkok had returned to business as usual, while the King and Queen seemed to have ridden out the storm in complete security.

On the other hand, the view seems to be common in London, where the facts are likely to be known, that Siam is not yet finished with her revolutions. The *Daily Mail* correspondent reported from Kuala Lumpur on Oct. 23 that notwithstanding the apparent government victory, Siam was faced with both financial breakdown and a fall of the monarchy.



The United States of America  
enjoyed better health and  
had a lower deathrate during  
the year 1932 and in 1933

*[up to the time this message went to press]*

than ever before in its history

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quired years in which to develop. In assuring pure water, safe milk, clean food, swept streets and proper sewerage systems your Health and Sanitation Departments did their part in making health records in 1932 and 1933.

Some of the forces upon which the health of people depends are financed by state, county and local appropriations. But many of the forces which have contributed so greatly to general welfare—the Red Cross, the Tuberculosis Associations, the Cancer Societies and others—are largely dependent upon private contributions.

Today the forward health movement has been slowed down in some localities because of reduced appropriations and smaller contributions. In certain other communities much of the official health work has stopped.

While the people of our country are working shoulder to shoulder, collectively and individually, to restore material prosperity, no greater tragedy could befall them than to sacrifice their greatest wealth—their health. If you would have increasing health and decreasing disease, keep up the power and the momentum of the health movement.



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Continued from Page VI

her personal romance, the awful experience of service among wounded in hospitals, the utter sense of futility and isolation. This book is a revelation of sanity in the average citizen, crucified by the insanity of governments.

For the moment, the international mind may be frustrated. But it dominates a literature that is becoming every day a fuller expression of public opinion. Books with a circulation that may seem to be small compared with the number of people on this planet provoke discussions on the platform and in the press which affect a larger audience. In politics, nationalism seems to be strongly entrenched. But the foundations have shifted and the structure is unsafe.

Of what use is it for Hitler to preach his gospel of Aryanism? Archaeologists are examining origins and are discovering, if indeed discovery were needed, that the origin of the higher life of the race has been anything but Teutonic. It is in the Egypt where the pyramids had still to be built that Professor J. H. Breasted discerns *The Dawn of Conscience* (Scribner's), and by this term he means the claim of right to determine the use of might which is the basis of all law and order in society. Revealed in her literature, the wisdom even of an autocratic Egypt, so he insists, was essentially egalitarian. By picture and quotation he illustrates the divine fatherhood—the human brotherhood—which he holds to be inherent in Egyptian philosophy. This was the conception of the race as a family—humanism uplifted by divinity—that has come down to us through Hebrew channels.

The Russian mystic, Nicholas Berdyaev, exiled in Paris, looks forward to what he announces as *The End of Our Time* (Sheed & Ward). He interprets our era as a humanism that persists after the divinity has been sacrificed. According to this repentant disciple of Karl Marx and latest of the pre-Raphaelite crusaders, man has become a cog in his own machine. With Newman and Ruskin, an apostle of the new reaction calls us back to the majestic universalities of the Middle Ages—to the cathedrals of reverence and harmony—not forgetting the asceticism within which discipline man shielded his soul from whatever might divert him from the ultimate quest.

## The Theory of World Revolution

WORLD REVOLUTION AND THE U. S. S. R. By Michael T. Florinsky. New York: The Macmillan Company, 1933. \$2.

OUTSIDE Soviet Russia it is still almost universally believed that world revolution is a tenet of Soviet political philosophy. Dr. Florinsky, author of *The End of the Rus-*

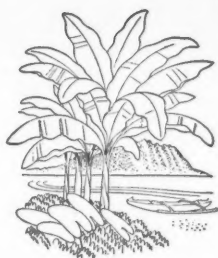
*sian Empire* and editor of the twelve-volume Russian series of the *Economic and Social History of the World War* for the Carnegie Endowment for International Peace, draws attention to what he believes to be a complete change in Communist policy. His present volume is a critique on the Soviet theory of foreign policy—of the relationship of the Socialist State with its capitalist neighbors. He traces and analyzes the rift between Stalin and Trotsky after Lenin's death over the place of revolutionary propaganda abroad in the Communist program. Stalin believed that socialism could succeed in a single country; Trotsky held that a single Socialist State could not survive in a capitalist world, and that revolution must be promoted abroad. Both Stalin and Trotsky, it might be added, drew texts and arguments from the writings of Lenin, thus proving that the great Communist apostle is almost as subject to diverse interpretation as Saint Paul. Stalin won a complete victory. Since then, Soviet Russia has been concerned with maintaining peaceful, even cordial, relations with other States and avoiding grounds for accusations that her agents were stirring up trouble abroad.

Dr. Florinsky points out that Soviet Russia has done her utmost in recent years to assure the world of her peaceful intentions. She did not believe that the Briand-Kellogg Pact could be effective, but subscribed to it lest her motives be misunderstood. She has led the way in arranging non-aggression pacts with all her neighbors except Japan, and Japan has refused her offers of such a treaty. And in spite of her important interests in Manchuria, Soviet Russia has followed a restrained policy in the face of Japanese provocation in the Far East. She has gone so far as to pledge herself not to aid revolutionary movements in Poland, Czechoslovakia, Rumania and the other States on her Western border. At Geneva, Foreign Commissar Litvinov put the Soviet Union in the position of championing international law when, on the grounds of international law and morality, he disposed of the Japanese arguments to justify the Manchurian adventure and the assistance given to the revolutionary Republic of Manchukuo.

Dr. Florinsky says that the much-feared Comintern (Communist International), which has not held a congress since 1928, has become simply a government bureau. In the eyes of the Soviet leaders today, the Comintern is an international body for the defense of the Soviet Union. "The truth of the matter," adds the author, "seems to be that the Third (Communist) International has suffered a complete eclipse." Moreover, the requirements for building "socialism in a single country," and the need for foreign trade and foreign credits, have led the Soviet authorities to curtail the doctrinaire handling of international affairs in the press and even in discussion.

If Dr. Florinsky's analysis is correct—namely, that in theory and in practice Soviet Russia has abandoned her original program of world revolution—perhaps the chief obstacle to American recognition of the Soviet Union has disappeared.

ROBERT L. BAKER.



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